Austria ... Sch 18	Indonesia .. Rp 2500	Portugal .. Esc 80
Bahrain . Din 0.650	Italy ...... L 1300	S Arabia .. Rls 6.00
Belgium .. BFr 42	Japan Y550	Singapore . S$ 4.10
Canada .. C$1.00	Jordan .. Fils 500	Spain .... Pta 110
Cyprus .. C£0.50	Kuwait ... Fils 500	Sri Lanka .. Rup 30
Denmark .. Dkr 7.25	Lebanon .. £L 8.00	Sweden .. Skr 6.50
Egypt ... E£1.00	Luxembourg . LFr 42	Switzerland SFr 2.20
Finland .. Fmk 6.00	Malaysia .. Rm 4.25	Taiwan ... NT $65
France .. FFr 6.00	Mexico .. Pes. 300	Tunisia .. Din 0.600
Germany . DM 2.20	Morocco .. Dh 6.00	Turkey .... L 210
Greece ..... Dr 70	Netherlands Fl 2.50	U A E. ... Dh 6.50
Hong Kong . HK$ 12	Norway .. Kr. 6.00	U.S.A. $1.00
India .. Rup 15	Philippines . Pes 20	

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,804 Friday December 13 1985 D 8523 B

Human rights: time for Britain to catch up, Page 15

World news

Air crash in Canada kills 250 US troops

A chartered DC-8 carrying US servicemen home from the Middle East crashed on take-off from Gander airport, Newfoundland, killing all 250 military personnel and eight crew aboard. The crash was the worst military air disaster in US history.

The Defence Department launched an independent investigation but said there was no indication that "hostile action" had caused the crash.

The soldiers had completed six months' duty with the multinational peace-keeping force in Sinai and were flying to their home base in Kentucky.

EEC budget defiance

The European Parliament opted once again for confrontatioo with EEC member states by adopting a disputed budget for 1986, in defiance of the spending ceiling set by the budget ministers. Page 2

Nicaragua call-up

Nicaragua is calling up 30,000 men for reserve military service after an upsurge in fighting between government forces and US-backed rebels.

El Salvador fighting

Battles between left-wing guerrillas and the army north and east of El Salvador's capital resulted in 34 deaths.

Ulster pact backed

The European Parliament gave support to the Anglo-Irish agreement, over the protests of Irish opposition MEPs.

Aquino challenge

Philippines presidential candidate Corazón Aquino urged the supreme court to rule immediately on the constitutionality of the February 7 election. Page 5

French train robbed

Armed bandits robbed a freight train of four tonnes of five and two-franc coins worth $98,000 between Marseilles and Toulon.

Spanish air strike

Spanish air traffic controllers began a 48-hour strike. They are demanding higher wages and shorter working hours.

Homes bulldozed

Pakistani troops have bulldozed 60 houses of dissident Khyber Pass tribesmen and will destroy 40 more in an unprecedented crackdown on unruly chiefs there, officials said.

'1,000 dead' in SA

Almost 1,000 people bave died since the wave of unrest began in South Africa in February 1984, the independent Institute of Race Relations said. Eigbt were white.

Award for FT writer

Peter Riddell, Financial Times political editor, was named The House Magazine/Macallan Political Journalist of the Year on the basis of nominations by MPs and members of the House of Lords.

Anne Baxter dies

Anne Baxter, Academy Award-winning actress, died in New York, aged 62.

Cocaine trade

Peru's illegal cocaine export trade this year was worth $2bn – three times the value of oil sales, which are the country's largest legal currency earner, said Interior-Minister Abel Salinas.

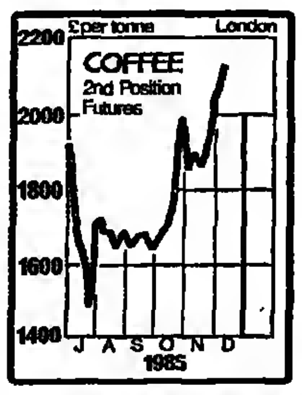
Business summary

US, UK groups bid for Teleglobe

CABLE and Wireless and British Telecom of the UK, and ITT of the US, are among companies that have made preliminary bid proposals for Telegobe Canada the telecommunications group being privatised by the Canadian Government. Overseas bidders are likely to be limited to a 25 per cent stake Page 16; Lex, Page 16; British Telecom results, Page 22

DOLLAR was weaker in London, falling to DM 2.514 (DM 2.5425), SFr 2.1015 (SFr 2.1285); FFr 7.6825 (FFr 7.7575) and Y202.05 (Y203.8). On Bank of England figures, the dollar's exchange-rate index fell from 127.8 to 126.9. Page 31

STERLING recovered in London, gaining 2.45 cents against the dollar to $1.4395. It was also higher at DM 3.62 (DM 3.5975), SFr 3.025 (SFr 3.0125), FFr 11.06 (FFr 10.9775) and Y290.75 (Y288.5). The pound's exchange-rate index closed at 78.6 up from 77.9. Page 31



COFFEE markets shrugged off a further 1m-bag release of export quotas by the International Coffee Organisation. In London, robusta coffee futures for March rose £22.50 a tonne to £2,120.50 in volatile trading. Page 30

GOLD rose $2.25 on the London bullion market to $317.50 and was $1.80 higher in Zurich at $317.55. In New York, the Comex February settlement was $320.40. Page 30

WALL STREET: At 3pm the Dow Jones industrial average was 4.48 lower at 1,507.22. Page 38

LONDON: Gilts were sharply higher while little interest was shown in equities. The FT Ordinary index added 1.1 to 1,104.8 and the FT-SE 100 was 1.1 higher at 1,378.5. Page 38

TOKYO: Stocks were higher and the Nikkei average, which reached an early record of 13,058.02, ended 78.28 up at 13,050.28. Page 38

ASSOCIATION of International Bond Dealers holds an extraordinary meeting in London today to vote on detailed reforms of the association's statutes. The meeting follows the May annual meeting's outline agreement to pass rule-making powers to the board subject to a veto from the annual meeting. Eurobond report, Page 17

PILKINGTON BROTHERS, biggest UK glass maker, reported a fall in interim pre-tax profits from £52.2m ($73.6m) to £39.4m. Lex, Page 14; Details, Page 22

BANCA Nazionale del Lavoro, Italy's largest state-owned bank, plans to seek a share quotation on Wall Street and possibly later on the London Stock Exchange. Page 17

TOYOTA MOTOR of Japan has confirmed that it will build a C$400m (US$287m) car assembly plant at Cambridge, Ontario, south-west of Toronto. The plant will employ 1,000 peopla and have a capacity of 50,000 vehicles a year. Production is due to begin in 1988.

NIPPON SEIKO, Japan's largest maker of ball bearings – which has production subsidiaries in the US, Canada, UK and West Germany – reported a flat performance for the half-year to October. Pre-tax profits dipped 0.7 per cent to Y7.29bn ($35.8m) and net profits were 0.2 per cent down at Y3.7bn.

Reagan signs bill to reform budget and remove deficit

BY STEWART FLEMING IN WASHINGTON

PRESIDENT Ronald Reagan yesterday signed into law an historic reform of the Congressional budget process that might force him to accept sharp cuts in defence spending or agree to higher taxes to bring the $212bn annual federal budget deficit under control.

White House aides were meanwhile frantically rounding up enough votes to rescue the Administration's floundering tax reform plans. Republicans in the House of Representatives, the President's nominal congressional allies, voted overwhelmingly on Wednesday to block debate on a tax-reform plan drawn up with White House approval by the Democratic majority of the House Ways and Means Committee. The fate of the tax-reform effort, the president's top domestic policy goal, still hung in the balance yesterday.

The Gramm-Rudman-Hollings budget reform plan calls for a phased reduction leading to elimination of the deficit by 1991. Mr Reagan said: "The tough work of controlling federal spending still lies ahead. The American people expect their elected officials... to set a reasonable and equitable course to eliminate federal budget deficits." But Mr Reagan maintained his position that raising taxes to cut the deficit "is not an option."

The President conceded that the new law raised "serious constitutional questions". Some experts maintain that certain provisions of the law are unconstitutional, including the apparent mixing of the executive and legislative branches of government in determining when mandatory automatic cuts in spending are triggered.

There are also fears that the procedural innovations in the budget process, and the threat of sweeping cuts in big government programmes if the mandatory spending reductions are triggered, might bring legislators to conclude that it would be better to pass new legislation rather than allow the Gramm-Rudman-Hollings plan to force random cuts in progammes their constituents support.

Wall Street's financial markets have been showing enthusiasm for the budget reform plan in spite of uncertainties about how it will work in practice, which have budget experts on Capitol Hill to describe it as a "leap in the dark".

Yesterday Mr Paul Volcker, Federal Reserve Board chairman, gave a guarded, but positive, response to the bill, describing it as a "healthy" step. Some economists maintain that the passage of the bill makes it more likely that the Federal Reserve Board will try to ease interest rates – and maintain an accommodative monetary policy into next year. There has been market specolation this week of an early cut in the Fed's discount rate.

Optimism about the implications of the budget reform plan for the most part reflects the judgment that it represents a change in the political chemistry in Washington, which should ensure that deficit reduction is the top political priority next year.

However it remains open to charges that it may result in deep defence cuts unless the President is willing to consider increasing taxes.

There is speculation that Mr Reagan, too, may be moving towards

Continued on Page 16

Stage set for Congress battle, Page 4

UK and Japanese banks support Baker debt plan

BY PETER MONTAGNON IN LONDON AND YOKO SHIBATA IN TOKYO

BRITISH and Japanese banks yesterday followed their US counterparts in declaring support for the developing country debt initiative launched by Mr James Baker, US Treasury Secretary, in Seoul in October.

Their move means that banks in the world's three leading financial centres have now come out formally in favour of the plan, which calls on banks to lend an extra $20bn over the next three years.

The declarations of support are both general and qualified, however. All three use exactly the same language, which suggests a hitherto unsuspected degree of co-ordinatioo among banks in industrialised countries.

"Mr Baker's initiative is welcomed as a positive and constructive approach and the banks confirm their willingness to play their part on a case-by-case basis, providing that all other parties, governmental, institutional and banking, do the same," the banks of all three nations said.

The British declaration took the form of a message signed by the chairman of the six leading commercial banks and Mr Robin Hutton, director general of the Accepting Houses Committee, which comprise leading merchant banks. It was sent oo their behalf by the Bank of England to the managing director of the International Monetary Fund (IMF) and the president of the World Bank.

Earlier, similar messages had been sent by Japan's 14 commercial banks and by a consultative group of US banks formed from nine leading mooey centre and regional banks and three banking associations.

The timing of the declarations is intended to ward off criticism of the way the debt crisis has been handled at a ministerial meeting next week of biggest Latin debtors in Montevideo, Uruguay, and to encourage them to express their support for the Baker plan.

Still awaited are formal declarations of support from banks in Canada and in major European centres, some of which have been lukewarm in their approach to the Baker initiative.

The format of the declarations also betrays continuing uncertainty over how the plan will work in practice, as well as raising a number of conditions that banks regard as important.

The British declaration, released in full by the Bank of England, talks of the great importance attached by the banks to the need to reverse the capital flight from debtor countries.

Also implicit in their insistance that other parties contribute to the plan is a strong belief among many bankers that creditor governments should take a more active role in agreeing multi-year reschedulings for the heaviest debtors and in maintaining export credit cover once these arrangements are in place.

This point was raised in a speech in London earlier this week by Mr William Rhodes, the senior Citibank executive who chairs five commercial bank negotiating committees for rescheduling the debt of Latin American countries.

Cartagena group meets to discuss Baker debt plan, Page 4

Britain may consider separate legislation to regulate Lloyd's

BY PETER RIDDELL, POLITICAL EDITOR, IN LONDON

THE UK Government is prepared to consider separate legislation on the regulation of the Lloyd's insurance market in the next parliamentary session, but it remains adamant that it cannot be included in the Financial Services Bill to be published next Thursday.

Ministers have an open mind on whether further action needs to be taken in relation to Lloyd's, but they are keeping the issue under close review.

The Government is strongly resisting calls for an inclusion of Lloyd's within next week's bill on the regulation of the City of London financial markets. Those have come not only from the Labour front bench, but also from senior Tory MPs such as ex-minister Mr Patrick Jenkin.

Ministers insist that Lloyd's cannot be included because the position of "names," or underwriting members, is wholly different from that of other investors. Moreover, Lloyd's has been given special exemption from other insurance legislation and that would be jeopardised if it were included in the proposed new system.

The inclusioo of Lloyd's might also make next week's bill a hybrid, which would involve a protracted parliamentary procedure of consultation and examination, delaying enactment possibly for a year.

In an interview on the BBC's World At One programme, Mr Michael Howard, the Under-Secretary for Corporate and Consumer Affairs, said the Government believed the Financial Services Bill was "not an appropriate vehicle for the regulation of Lloyd's."

Noting that most of the allegations about the affairs of Lloyd's dated from before the 1982 Lloyd's Act, Mr Howard said a new regulatory system had been set up since then. He added: "A close watch is being kept on the way in which that system is working to see whether anything more needs to be done."

If the system was oot working properly, he said, he would have "no hesitation at all" in taking the necessary action to make sure that a properly regulated system was in force at Lloyd's.

He said the system that had beeo set up at Lloyd's under the 1982 Act "had not yet had a proper opportunity to prove itself."

He noted that in accordance with normal ministerial guidelines, his underwriting membership of Lloyd's was in suspension and no

Continued on Page 16

Barrage shakes Lloyd's, Page 8

General Electric to pay $6.28bn for RCA

By Our New York Staff

GENERAL ELECTRIC, the sixth largest US industrial group, has signed a $6.28bn definitive agreement to take over RCA in a deal aimed at strengthening the competitive position of the US in a range of high-technology manufacturing industries.

The deal is the biggest non-oil merger in US corporate history and will create a conglomerate with annual sales of almost $40bn, a workforce of more than 400,000 and interests spanning aerospace, broadcasting, financial services, consumer and industrial electronics, advanced materials and beavy manufacturing.

GE and RCA described the proposed merger as "an excellent strategic opportunity for both companies that will help improve America's competitiveness in world markets. We are creating a company that will successfully compete with anyone, anywhere, in every market we serve."

The transaction will also give GE ownership of NBC, one of the three leading US television networks, and five owned and operated TV stations in key markets like New York and Los Angeles. The deal continues the major restructruring of the US broadcasting industry which has seen bids for the top three networks within the past 12 months.

Mr Jack Welch, GE's 50-year-old chairman and chief executive, added: "RCA is an excellent strategic fit with GE. This merger further accelerates a process that has seen GE grow into a major services and technology business. Indeed, in the past five years, services and technology moved from about 50 per cent to about 70 per cent of the company's earnings."

GE, which is being advised by Goldman Sachs, the New York investment bank, is offering $66.50 cash per share for RCA. Wall Street reacted positively to the bid, pushing GE's share price up $¾ to a new high of $88⅝ by lunchtime. RCA's shares, which had rocketed by $15½ in the previous three trading sessions ahead of the announcement, slipped back $4⅛ to $59

GE and RCA executives said yesterday they expected no significant regulator or anti-trust objections to the deal. Mr Welch said as far as he was concerned "the merger violates no guidelines and will be approved in a speedy and effective manner."

Mr Welch and Mr Thorton Bradshaw, RCA's chairman, called "several important members of the

Continued on Page 16

Blockbuster merger, Page 14; Lex, Page 16

£ rallies on strong rise in oil markets

BY PHILIP STEPHENS, DOMINIC LAWSON AND PETER RIDDELL IN LONDON

STERLING rebounded modestly on the foreign exchange markets yesterday as oil prices rose and speculation that US interest rates were heading downwards pusbed the dollar lower against all leading currencies.

The pound, which had been sliding since Monday's decision by the Organisation of Petroleum Exporting Countries to seek to maintain their share of the world oil market, recouped about a quarter of its losses earlier io the week.

Against a weakening dollar, it rose by 2.45 cents to $1.4395 at the London close, while the sterling index gained 0.7 points to stand at 78.6.

Foreign-exchange traders said there was still uncertainty over the outlook for sterling, but also a view that the markets might have overreacted ahead of decisive evidence that oil prices would fall sharply.

The London financial institutions were also impressed with what was seen as a concerted publicity campaign by the UK Governmeot to emphasise that its anti-inflation strategy would come before tax cuts. The quick succession of speeches emphasising that priority was cootrasted with what was seen as a slow and clumsy reaction to the sterling crisis in January.

The Bank of England was thought to have encouraged the pound's revival in early trading with small-scale intervention, but other central banks remained oo the sidelines yesterday.

The dollar's fall came as President Ronald Reagan's decision to sign the Gramm-Rudman budget bill intensified speculatioo on the foreign-exchange markets about a possible cut in the US discount rate. The US currency closed in Londoo at DM 2.5140, 2.85 pfennigs lower than on Wednesday.

World oil prices rose sharply yesterday, after three days chaos in the wake of this week's meeting of Opec ministers.

The market had interpreted an Opec declaration to defend its share of the oil market as the first shot in a price war, and by Wednesday morning the price of Brent, the main North Sea crude oil had dropped to a six-year low of $21.80 a barrel.

But subsequent reassuring statements by leading figures in Opec belped Brent to open yesterday at $25.75 and the price moved up rapidly to reach $26.95. Traders on both sides of the Atlantic said, however, that the market was thin and had not settled down.

In London, Mrs Margaret Thatcber, the Prime minister, and Mr Nigel Lawson, the Chancellor of the Exchequer, yesterday sought to lower expectations about the size of possible tax cuts in the spring budget in the wake of this week's turbulence in the markets.

They emphasised that reducing inflation remained the top priority and both rejected calls for any cut in interest rates that might lead to a fall in the pound. Mrs Thatcher said she would not talk sterliog down since she wished it to stay strong.

During Prime Minister's questions in the House of Commoos, Mrs Thatcher said: "Tax cuts must be secondary to bolding down inflation, and now is not the time to decide wbether there are any."

Later, during the debate on the autumn economic statement, Mr Lawson ooted a difficulty of forming a view of oil prices. But, he added, "insofar as the prospect now is for a lower oil price than was assumed at the time of the autumn statement, it follows that, other things being equal, tax revenues in 1986-87 will be correspoodingly lower and the scope for tax reductions in next year's budget correspondingly diminished. The House and the country should be io no doubt about that."

He added: "But while it is possible to conceive of a sudden fall in the oil price so great as to cause serious disruption and dislocatioo to the eotire world economy, I find that prospect as unlikely as it is undesirable. Short of that, there is no threat to the British economy."

The oormal Treasury rule of thumb is that a 1 per cent fall in the oil price will cut government reveoue by £150m ($216m). Assuming some compensating adjustment in tha exchange rate, a 10 per cent drop in the oil price would reduce tax revenue by £750m.

Mr Lawsoo also made plain that the Government was in no way seeking to induce a fall in sterling. He noted the reference in the March budget speech to the importance of the exchange rate in maintaining a monetary stance that will bring down inflation.

Previously at this time of year there have been similar attempts to reduce expectations about budget tax cuts, and Mr Roy Hattersley, Labour's economic spokesman, said he had no doubt that there would be tax cuts next spring.

He also accused the Government of seeking to control inflation with "over-valued sterling supported by high interest rates – a policy which is bound to do long-term damage to the interests of the economy."

Oil prices, Page 30; Currencies, Page 31

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CONTENTS

MEPs vote to defy limit set on budget

BY QUENTIN PEEL IN STRASBOURG

THE EUROPEAN Parliament yesterday opted again for confrontation with the EEC member states by adopting a disputed budget for the coming year in defiance of the spending ceiling set by budget *ministers*.

Members voted by a large majority to add extra casb for social and regional spending to the Ecu 32.7bn (£20.3bn) draft budget approved by the Ten. The result was immediately challenged by Mr Jean-Claude Junker, the Luxembourg chairman of the budget ministers. He said it was illegal and likely to be opposed in the European Court.

The Ten governments must now decide whether they will jointly or individually take the Parliament to the Court, or whether to provide the money.

However, the European Commission will implement the new total of Ecu 33.3bn if it is formally signed by Mr Pierre Pfimlin, the Parliament's president.

The danger remains of a prolonged bout of institutional conflict over the budget—the fourth in the past seven years—with resulting uncertainty for EEC spending schemes. Mr Henning Christophersen, the budget commissioner, warned yesterday that o legal dispute could cause "immense problems for Community spending."

In spite of the MEP's decision to add an extra Ecu 578m (£358m) to the budget, Mr Christophersen said those funds could still be severely curtailed in the course of the year.

The main dispute bas been over how to pay for an accumulation of past commitments to the social and regional funds, caused by regular annual cuts in current spending, without comparable cuts in long-term commitments. The result is that spending on social projects in particular may bave to be cut by as much as balf from the present level when next year's projects are approved at the end of April—even if Parliament's versions of the budget is allowed to stand.

The 1986 spending has been further complicated by the entry of Spain ond Portugal on January 1 and the tacit agreement to ensure that neitber becomes a net budget contributor in the first year. As a result, extra spending money bas had to be found.

The MEPs yesterday rejected o compromise offer by the budget ministers to add Ecu 242m, a figure opposed only by Britain. Mr Jean-Pierro Cot, chairman of the Parliament's budget committee, said the Ecu 578m was relatively small, but the real question was how to ensure the proper functioning of the social and regional programme.

Hesse Greens sworn in

BY PETER BRUCE IN BONN

WEST GERMANY'S first governing coalition between tbe Greens, the radical environmentalist party, and the social democrats (SPD) one of tbe major traditional parties, came into being yesterday in the state of Hesse.

The Greens have been ablo to secure the leadership of the Environment Ministry and bave been offered a senior civil service post dealing with womens affairs in return for giving crucial support to the SPD government's budget plans.

The move, forced upon the SPD leadership in the state, bas unsettled conservatives in the SPD who argue that an association at state level with the Greens will make it that much harder to defeat Cbancellor Helmut Kohl in the federal olection

Deep ideological splits in the Greens bave also become more pronounced, and yesterday's official swearing-in of Mr Joscbka Fiscber, a Green leader, as the Hesse Environment Minister is likely to lead to further strife at the party's annual conference starting today.

Poland pays $265m to bank creditors

By Peter Montagnon

POLAND has this week paid some $265m (£187m) to its commercial bank creditors, the first repayment of debt principal since it started reschednling its borrowings in 1981.

Bankers said the payment, made only after fierce restraint of imports in the last quarter, underlines the effort Poland is making in honouring to the letter rescheduling agreements reached with commercial creditors.

The payment relotes to the reschednling agreement rcached on $1.5bn of deht that originally matured in 1981 which is now starting to fall dne for repayment. However, a fnrther $800m falls due next year, althougb Poland is expected to continue facing an extreme shortago of foreign exchango resonrces.

Next year's hard currency surplus on goods and services is likely to be only around $2bn. Out of that Poland would have to pay interest on its $27bn foreign dobt as well as meet principal payments to banks and creditor governments.

Some bankers believe Poland may use thc goodwill it bas generated among bank creditors with this week's payment to seck anothcr credit next year to refinance apyments falling due next year.

So far officials have given no indication of this, but they are apporently concentrating first on debt rcpaymennts to bank creditors, rather than paying off sums owed to Western governmcnts whicb were mnch slower to reach reschduling agreements

Also dno this month is a $550m principal payment to government creditors. A qnestion-mark now hangs over this payment given Poland's tight financial position and the money it has already paid to banks.

Poland is understood to have met a $230m down-payment to government crdeditors on their rescheduling of 1981 debt maturities. It is dne to have discussions on further payments with government creditors nnder the auspices of the so-called Paris Club next week.

EuroRoute lines up rail agreement with SNCF

BY DAVID MARSH IN PARIS AND ANDREW TAYLOR IN LONDON

EUROROUTE, one of the Franco-British consortia bidding to build a road and rail and link across the English Channel, appears to have reached an accord with SNCF, the French state-owned railways, over terms and conditions for using its rail crossing.

It also seems to have moved closer to British Rail since a meeting between British and French railway officials in Paris on Monday. An agreement between the two railways and EuroRoute could be confirmed by the end of this week.

EuroRoute is proposing a road crossing involving bridges, artificial islands and a tunnel, as well as a separate rail tunnel.

SNCF and BR are also understood to be on the point of concluding a "framework agreement" with Channel Expressway, another of the four groups bidding to build a fixed link. Channel Expressway, backed by Sea Containers, the Bermuda-based shipping group, is proposing separate road and rail tunnels.

Channel Tunnel Group, which is proposing o twin-bore rail tunnel carrying BR and SNCF trains, as well as a privately-operated shuttle ferrying cars, lorries and coaches under the Channel, is also seeking agreement with the two railways.

A fourth scheme, submitted by Eurobridge and proposing a road bridge with 5km spans and a separate road tunnel, has struggled to achieve credibility with bankers, government officials and politicians. It is thought highly unlikely to be chosen by the two governments.

Saab-Scania tries to lift US flight ban on airliner

BY KEVIN DONE IN STOCKHOLM

SAAB-SCANIA, the Swedish automotive and aerospace group, was last night holding talks with US civil aviation officials in an attempt to lift the flight ban on its troubled SF 340 regional airliner which was grounded on Tuesday.

The aircraft has also been grounded in Sweden after five incidents in the past five months in which one of the airliner's two engines stopped in mid-air, suffering a so-called "flame-out."

On each occasion, it proved possible to restart the engine and there have been no accidents. However, the authorities in both the US and Sweden grounded the aircraft until the cause of the trouble was established.

Each of the incidents occurred in similar circumstances; at an altitude of 4,000m-5,000m and an air temperature around freezing.

Saab said it had agreed with General Electric of the US, the manufacturer of the engine, to install a new continuous-ignition system on all the aircraft already in commercial service.

The SF340, developed in a SKr 2bn ($258m) joint venture by Saab-Scania and Fairchild Industries of the US, was introduced into commercial service in June last year. Some 35 aircraft are operating around the world and Saab has received total orders for 85 airliners.

Saab said yesterday that authorities in Switzerland, where the airline Crossair is an important customer, had so far taken no action to ground the aircraft.

Weapons co-operation approved

BY ROBERT MAUTHNER

NATO FOREIGN ministers yesterday approved the framework for a new armaments co-operation programme for which the US. Administration has already earmarked $250m (£176m). For tho time being, the strategy worked out by the Conference of National Armaments Directors (CNAD) of the 16 member countries is still at the stage of broad principles. But a special meeting of CNAD is due to be beld next February to drow up specific projects.

The alliance's foreign ministers, long awaro of the waste of effort, money and technical expertise involved in the duplication of national armamonts programmes, have instructed CNAD to identify Nato's deficiencies in conventional arms, with a view to co-ordinating national and multilateral equipment programmes.

The CNAD's task will be very similar to that of tho Independent European Programme Group (IEPG), but will involve more countries, notably the US and Canada. The IEPG is restricted to the alliance's European members. However, some of the collaborative scbemes worked out by the European members could become the basis of projects in the wider grouping.

A statement issued by the Nato Council yesterday said that efforts to increase co-operotion in research and technology, in particular to exploit emerging technologies, sbould be stepped up in order to achieve a more cost-effective use of resources and to facilitato the establishment of co-operative projects. A wider exchange of information was a key factor in these endeavours.

Pravda warning on Star Wars

BY PATRICK COCKBURN IN MOSCOW

THE SOVIET Comunist Party daily newspaper, Pravda, yesterday warned Britain and West Germany tbat tbeir participation in research into the US Strategic Defence Initiative (SDI) will make it harder to reach agreement on nuclear arms limitation.

The reproof is moderately phrased, empbasising that there is still time "for decision-makers in Britain and West Germany to consider carefully and weigh all the consequences of ther countries' participation in the US space venture."

Moscow is clearly concerned tbat better relations between Washington and its West European allies following the Geneva summit is making it easier for President Ronold Reagan to win their backing for the SDI—tbo so-called Star Wars project.

Pravda says there can be no reduction in nuclear arsenals if Star Wars goes ahead. Soviet officiols dismiss as a legalism the British and West German claim that they will only participate in the research phase. The newspaper says the British decision is "perplexing" given the support of Mrs Margaret Tbatchers, the Prime Minister, for the results of last month's summit.

Soviet officials also see the US Administration as sharply divided between the supporters and opponents of a more amicable relationship between the superpowers.

Pravda said yesterday that "the current position of the Britisb and West German Government objectively plays into the hands of the circles in the US which have no intention of agreeing anything."

The resignation of Mr Robert Macfarlane, President Reagan's National Security Adviser, is taken bere as an indication that the opponents of an agreement with Moscow on nuclear weapons remain an extremely potent force in Washington.

Spanish call to boycott referendum

By David White in Madrid

UNCERTAINTY surrounding Spain's planned referendum on Nato has been increased by the decision of the moin right-wing opposition to call on its supporters to abstain.

The decision, announced by Mr Manuel Fraga, leader of the pro-Nato Popular Coalition, means that the Socialist Government will have to count without support from the right in its bid to win endorsement for its own change of mind in favour of staying in the alliance.

The Popular Coalition is against holding the consultation ot all and plans to use its television time in the campaign to explain its opposition to the referendum, which was part of the Socialists' election platform three years ago.

Mr Alfonso Guerra, the deputy premier, described the decision as "irresponsible" and said Mr Fraga would hove difficulty selling the policy to his party base.

The opposition stance increases the prospect of a low turnout for the referendum next March ond, by the same token, increases tbe unpredictability of the outcome. It provoked a revival of speculation that Mr Felipe Gonzalez, the Prime Minister, might call off the ballot, using the argument of bad faith on the part of the opposition.

Swiss rule on 'insider' agreement

By John Wicks in Zurich

FINANCE COMPANIES not subject to the Swiss banks' anti-insider ogreement can still be called on to supply information to the US authorities, according to the Swiss Ministry of Justice.

The Lausanne federal court bas ruled that Ellis, a Zurich-based finance company, should supply information to the US in connection with allegations of insider trading by three of its clients.

Last year, the US Justice Department asked Berne for assistance in investigations claimed to involve Ellis clients, quoting the 1982 memorandum of understanding between the Swiss Bankers' Association and the Securities Exchange Commission. Its request was refused becousc Ellis is not an associate member.

Until last November, Ellis was an offiliate of the Basle privote bank Sarasin, but was operated independently

The US subsequently mado a separate application for help in connection with criminal proceedings by a New York court over the trading of four securities. When this assistance was granted, the Ellis clients in question appealcd. Ellis, now owned by its former managers, had said it was ready to co-operate in both investigations.

The court ruling is based on an article in tbo penal codc wbich forbids the disclosure of privileged commercial information to third partics. The Government said yesterday that this clause wos used pending tho passing of a law prohibiting insider deals

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EUROPEAN NEWS

Greek power prices raised despite seething unrest

BY ANDRIANA IERODIACONOU IN ATHENS

THE GREEK Government raised the price of electricity to industry and private homes by 16 aod 18 per ceot respectively yesterday, undeterred by continuing strikes and a deepening crisis io the trade union moveme0t over its economic austerity programme.

Over the past two weeks, the public has seen prices increased in services, foodstuffs and coosumer durables. These includa increases ranging from 7.6 per cent to 15.4 per cent in the price of petrol, diesel and fuel oil, a 15 per cent jump in milk and milk products, 15-17 per ceot on taxi fares and rises of 20-30 per ceot in the price of domestic electrical appliances.

Doctors employed with Greece's main social aecurity fund launched a 48-bour strike yesterday in protest at the auaterity measures, while demonstrations were beld in Pireus and several provincial towns. Olympic Airways pilots announced a series of 24-bour strikes, interspersed with four-hour work stoppages starting on December 18 aod endiog on January 31.

Meanwhile, the rift has deepened between Socialist unions loyal to the Government and dissideot Socialist and opposition Communist unions opposed to austerity. This followa an Athens court decision last week to appoint a leadership for the Greek Trade Union Coogress (GSEE).

The majority in the Coogress's leadership split off from the rest following the announcement of the Government'a ecooomic policies in October and proceeded to elect a GSEE presideot of its own. The Athens court decision was inteoded to circumvent this move by restoring a united, albeit appointed, leadership which would theo be cbarged with bolding an extraordinary GSEE conference to resolve tha crisis in the next few months.

Chaos aod divisioo are still rife in the GSEE, bowever, as a large number of trade unionists included by the court in the list of eppointees refused to become part of the new leadership. An attempted first meeting on Wednesday ended with loyalist unionists having to be escorted by police out of the GSEE headquarters which were beseiged by demonstrators.

AP adds: About 200 workers from General Motors Greek subsidiary demonstrated in ceotral Athens yesterday against the closure of the company. The workers, shouting "The Government should step in," blocked traffic outsida the National Economy Ministry and later marcbed to Parliament.

The company announced last month that it was shotting its plant at Krianeri, oear the capital, where it has assambled Opel Kadett and Opel Ascona cars sioce 1981. About 800 people are employed there.

Surge of litigation puts pressure on European Court

THE WORKLOAD of the European Court of Justice in Luxembourg has shown a marked increase this year, with the number of cases coming to the court passing 400 this month. That compares with 312 cases last year and an annual average of 159 since the court's inceptioo in 1953 as part of the European Coal and Steel Community.

There appears to be no obvious single reason for the recent upsurg. Court officials say that the European Commission has been very active and that nstional courts aeem increasingly ready to refer cases to Luxembourg.

Next year the Ten will be joined by Spain and Portugal, bnt it is likely to be o year or two before cases from them start to come to the court in any numbers.

Raymond Hughes reports on the increasing popularity of the Luxembourg institution among members of the European Community. Even the UK, previously concerned about national sovereignty, now often features in the court.

The accessioo of Spain and Portugal will add two more judges to the 11 at preseot coping with the case load. (Tbe 11th is nominated by the four largest member states in rotation to avoid the risk of a bung bench.)

There is talk of a need for more, bnt that would involve the delicate question of wbicb countries should be allowed to have more than one representative oo the European bench.

One possibility is that the five Advocates General, whose function is to give the court advisory opinions on the merits of cases, should be made into judges, amalgamating their advisory role with that of the judge rapporteur. He prepares a summary of the facts and the contentions of the parties for the beuefit of the full court.

It is oot only the judges wbo are affected by the increasing case load. Similarly burdened are the Advocates General. Sir Gordon Slynn, a former English High Court judge, has delivered 49 opinions this year, and bia four colleagues from Germany, France, Italy and the Netherlands, another 161 between them.

An examination of the court's statistics shows thot West Germany has found itself most enmeshed in Euro litigation, due, in part, to its domestic legal structure which affords greater opportunities for references to Luxembourg.

Since 1961, 517 cases have been referred from Germany for preliminary rulings on the interpretation of Community law, more than dooble the number from any one of the other six original signatories of the Rome Treaty.

The Netherlands referred 238 cases, France 245, Italy 161, Belgium 155 and Luxembourg 17. Of the three countries that joined in 1973, the UK baa referred 55 cases, Deomark 16 and Ireland 14. Greece bas not referred any since becoming the tenth Community partner in 1981.

As regards cases brought directly to the court, Italy heods the lists both of cases brought by and against member states. Up to the eod of October, it bad initiated 26 casea and faced 122 — all of the latter alleging breacbes of treaty obligations. In 73 of them (59 per cent) it was found to be in breach.

The overwbelming majority of cases brought against member states have concerned alleged treaty breaches. The Netherlands bas faced 19, on whicb breaches have been found in six (31 per cent); Belgium 61 and 22 (36 per ceot); Luxembourg 16 and 5 (31 per ceot); Germany 29 and 9 (31 per ceot); and France 71 and 15 (21 per cent).

The UK appears to bave one of the worst percentage records for treaty breaches. It bas brought seven cases and beeo the respoodent in 18, of which 17 were for alleged breaches, on 11 of which (64 per cent) it was found to be in default.

Ireland's record is somewhat better: 18 breaches alleged and seven (38 per cent) proved. Deomark bas been taken to court 11 times and fouod to be in breacb three times (27 per cent). Greece has faced 14 complaints of Treaty breaches and lost only one (7 per cent).

The single most active Euro-litigant ia the European Commission. By the eod of October, it bad initiated 387 cases and beeo the respondent in 943, as well as joint respondent with the Council of Ministers in another 93.

The statistics suggest that agriculture bas been the most persistent bone of legal contention. Betweeo 1961 and the end of October, 504 preliminary rulings were given by the court on agricultural matters, which also formed the subject matter of 263 direct actions.

Complaints coocerniog cartel agreements and alleged abuses of a dominant trading position accounted for 197 direct cases in the same period.

While the statistics give some indication of the involvement of the various member states with the Community's court, they do not give the wbole picture.

Apart from the different dates of accession, much bas depeoded on the attitude of the particular state, and of its domestic courts, towards wbat, in some countries, bas been regarded as an alien intrusion into national law and judicial authority.

Britisb courts, for example, were for years reluctant to refer cases to Luxembourg, an attitude wbicb is gradually changing. The UK can perhaps feel some satisfactioo ot the view expressed in Luxembourg that cases in wblch it is involved tend to give the European judges some of their knottiest problems.

Judges in action at the European Court

France sounds out suspicious UK on military jet collaboration

BY DAVID MARSH IN PARIS

FRANCE WILL discuss with Britain today a project for future collaboration in European military aircraft amid signs that the UK Government remains deeply suspicious of a plan put forward by President Francois Mitterrand last month proposing participation in a new jet fighter for the 1990s.

Mr Claude Arnaud, one of France's senior ambassadors, will be in Londoo along with French Defence Ministry officials for talks with British officials led by Mr David Perry, in charge of collaborative arms projects at the Ministry of Defence.

Mr Arnaud is baving consultations with 12 Western European countries to try to develop ideas put forward both by Mr Mitterrand and Mr Roland Dumas, the French Foreign Minister, over the past month to try to harmonise future European air force requirements.

He bas already visited several capitals including Bonn and Rome. Britain, bowever, has giveo a cool response to Mr Mitterrand's suggestion, made in Bonn on November 8, that France take a small stake in the European Figbter Aircraft (EFA) which Britain, West Germany, Italy and Spain agreed during the summer to develop jointly.

British officials are unwilling to turn down flat the Mitterrand suggestioo but also believe it could be a ploy to delay or disrupt work on the fighter. Mr Michael Heseltine and Mr Manfred Woerner, the British and West German defence ministers, who co-ordinated their positions on the French offer at the end of last mooth, are both said by UK officials to take a similar sceptical view.

Franco-British rivalries in aerospace have beeo highlighted by talks about the future of Westland, the financially troubled Britisb belicopter manufacturer.

Aerospatiale, the Frencb state-owned aerospace company, is offering to take a stake in Westland and inject funds, along with Messerschmitt of West Germany and Agusta of Italy, to prevent the company falling into the hands of Sikorsky of the US. At the same time, tha Freocb Governmeot was reported yesterday in Paris to be offering more concessions to India to try to win a keenly contested helicopter deal in which Aerospatiale bas been bidding for some mooths against Westland.

British officials say there is no need for any French participation in tbe project, whicb was agreed after nearly two years of negotiation during which France failed to eotice West Germany to join it in a venture to build e lighter fighter aircraft for the 1990s.

The Anglo-German-Italian-Spanish fighter, although a heavier aircraft designed for air superiority functions, will be competing with a lighter Frencb figbter based on the Rafale prototype which Dassault-Breguet, the state military aircraft builder, is due to unveil before the press for the first time this weekend.

New Zealand's Prime Minister, Mr David Lange, is seeking aboot NZ$20m (£7.75m) compensation from France for the sinking in Auckland in July of the Greenpeace protest vessel Rainbow Warrior, AP reports from Wellington. French agents sank the ship to prevent it leading a flotilla protestiog about French nuclear tests in the Pacific.

Ecological 'disaster' faces Poles

By Christopher Bobinski in Warsaw

POLAND FACES an ecological catastrophe, according to a book published recently by the Communist party's top training college, the Social Sciences Academy io Warsaw.

The warning comes in the latest volume of a series entitled The Position of the Working Class in Poland, edited by Professor Przemyslaw Wojcik, a Marxist academic at the school. The publication, which has a small print run, is destined for internal distribution and is designed to increase awareness among the establishment of the problems faced by workers.

The thinking behind tha venture is that many of the issues which led to the working class upheaval in 1980, which in turn gave birth to the Solidarity movement, remain unresolved and need to be examined.

A massive destruction of the country's forests and possible disruption of food output is predicted thanks to the growth of poisonous substances in the air and soil. Workers, it says, are doubly under threat, both at their place of work and in their environment when they return home.

Silesia, Poland's notorious industrial heartland, is a major example. Its population already has o life expectancy two years less than those elsewhere in ths country and contains 192 of the 900 factories classified as special bealth risks.

The publication calls for additional conservation funds, more government powers to control harmful industrial activity, financial incentivea to factories seeking to control ecological damage and more publicity to make people aware of the dangers.

Fake wine accusation in Austria

FIVE Austrians bave been detaioed for allegedly selling oearly 1m litres of artificial wine since 1981, Reuter reports from Graz. The head of a wine busioess in Graz, three of her employees and o fifth mao in Vienna have been held on suspicion of frand after a man who bas already coofessed to selling imitation wine told police he had sold the group 1m litres of the drink over the last few years. Police said the imitatioo wine had been re-sold to other retailers and had not been found.

Artificial wine is made from the remains of grapes already crushed to make real wine. The refuse is combined with sugar, water aod chemicals to give it the taste of wine.

More than 80 people bave beeo arrested since last July in the scandal over Austrian wine.

Investment outlook

The outiook for West Germao fixed asset investment is good for the rest of the decade, with markedly higher expenditure expected io 1987 and 1988, according to the IFO economic research institute, Reuter reports from Munich. Investment is forecast to increase oext year from 1985 levels aod will spread to virtually every sector of the ecooomy, unlike receot years when it bas been concentrated mainly in export-orientated industries.

Spanish air strike

Spanisb air traffic controllers began a 48-hour strike yesterday over pay aod conditions of work, causing the national airline Iberia and the domestic airlioe Aviaco to cancel 70 flights, AP reports from Madrid. Civilian aviatioo authorities bave beeo negotiating with unioo officials for 11 months to resolve differences over o claim for a 70 per ceot pay increase and a reductioo of anoual working hours from 1,500 to 1,200.

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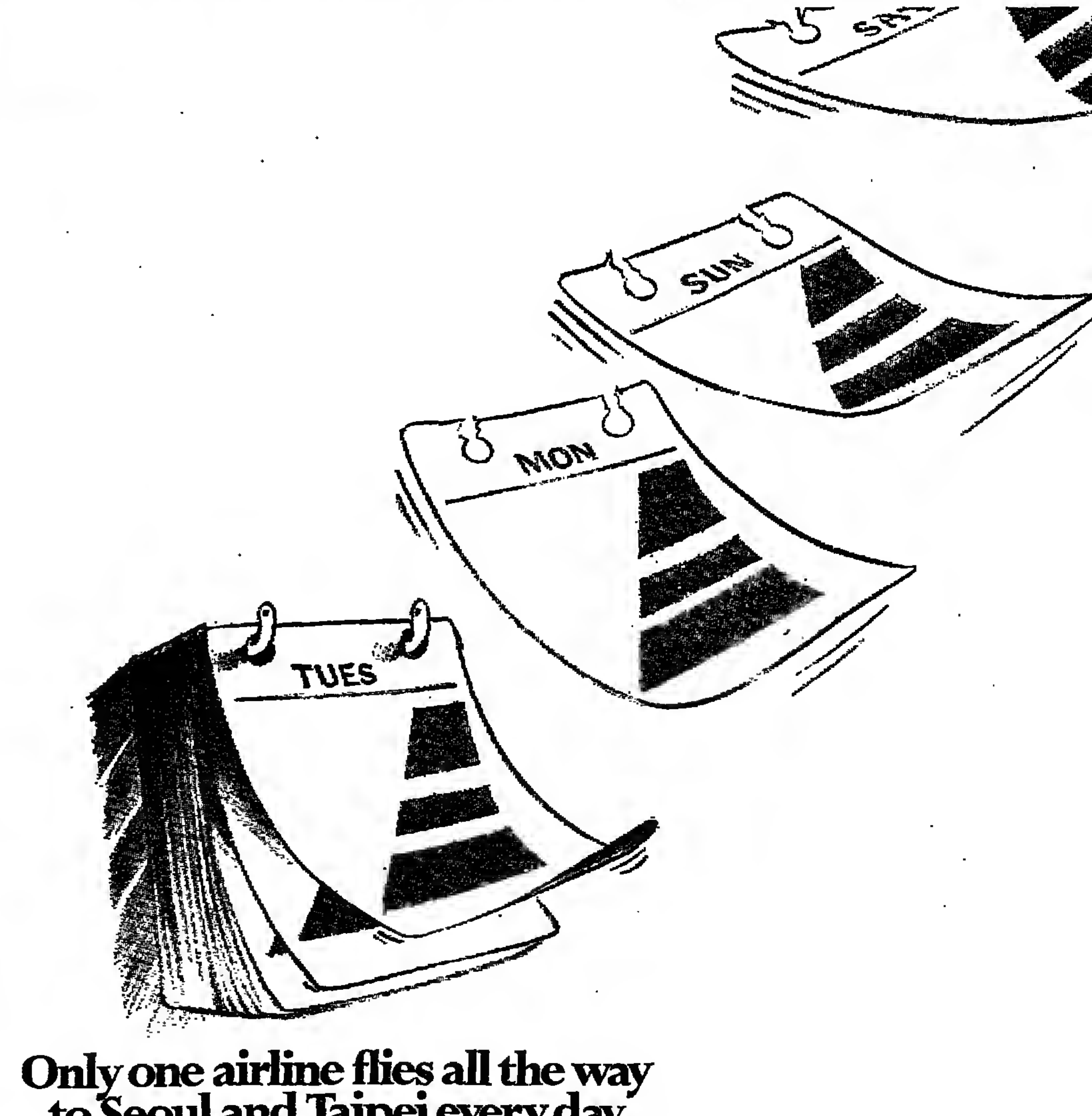

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Cartagena group meets to discuss Baker debt plan

BY JIMMY BURNS IN BUENOS AIRES

THE 11-nation Cartegena group of Latin American debtors began a aeries of key meetings yesterday in Montevideo, Uruguay, to prcpare a common response to the Baker initiative aimed at easing the debt crisis in developing countries.

President Jose Sarney

Originally the Montevideo meeting of the group formed last year to co-ordinate positions on the region's $350bn (£246bn) foreign debt was to have been fairly routine. But since the formulation of the Baker plan—launched by Mr James Baker, US Treasury Secretary, last October in Seoul—it has acqulred a new significance.

Under the plan, commercial banks would pledge $20bn of fresh money over the next three years, to be matched by $20bn of net lending by the World Bank and the Inter-American Development Bank. The commercial banks have begun to declare their support for the initiative and the US authorities would like to hava the formal positions of both banks and debtors known by mid month.

Yesterday's meetings in Montevideo began as a special conference of smaller Latin American debtor countries ended in Costa Rica. Tbcse small debtors, like Cuatemala, Honduras and Panama, fear they may be ignored and that initiatives like those of Mr Baker are designed to bail out the big debtors. Tha ministerial sessions in Montevideo, attendad by both Foreign and Finance Ministers of tbe Croup, begins on Monday and will end on Tuesday.

Argentina has emerged as a potential test case for the Baker initiative, having acted as a mucb publicised if somewhat coy host to such key actors as Mr Paul Volcker, the Federal Reserve chairman, Mr David Mulford, assistant Treasury Secretary, and Mr Tom Clausen, World Bank President.

But a working paper, the fruit of two weeks of secret contacts by Argentina with Brazilian and Mexican officials, and the expected main discussion piece at yesterday's talks, hints at renewed militancy for tha sake of regional solidarity, however temporary. The paper broadly follows the position already assumed publicly by Presidents Raul Alfonsin of Argentina and Jose Sarney of Brazil during their recent summit—the Baker plan is a step in the right direction but not nearly enough.

The plan is seen less as tha product of natural generosity on behalf of the US Treasury than as a pragmatic reaction under pressure. The Argentines, in a sentiment ahared by many Latin Americans, boast that it was the existence of the Cartagena Group that led to the Baker plan. The distinction is important for it could set the pattern for the future.

Naggiog doubts remain, as the working paper indicates only too clearly. "The proposal of the US Treasury Secretary makes no reference whatsoever to the central problem and the fundamental cause of the debt crisis — the persistent and practically unprecedented bigb level of interest rates."

Over the past 15 months the US prime rate has been reduced from 13 per cent to 9.5 per cent but this is still 4 to 5 percentage points above the average rates in tbe 1960s and 1970s. The paper points out tbat if the rates were to be reduced to their historic levels the ensuing savings of $15bn would eliminate the deficit on current account which in 1985 will be close to $10bn. The paper also questions IMF conditionally and talks boldly of the right of every Third World country to "economic self determination."

So far there appear to be few suporters, at least among the major debtors, of anything that might smack of a regional moratorium. The emphasis, under the even handed ad hoc secretarialship of Urugayan Foreign Minister, Mr Enrique Iglesias, is on constructive dialogue and not confrontation. But the Baker plan looks set for a barsh dressing down in Montevideo with the focus shifting to longer term solutions.

US retail sales up 1.1%

BY NANCY DUNNE IN WASHINGTON

US CONSUMERS did not let record personal debt deter them from early Christmas shopping as retail sales last month rebounded by 1.1 per cent from a sharp October decline.

The Commerce Department said retail sales totalled $115.9bn in November, an increase of $1.3bn over revised October figures. Sales fell a record 4.2 per cent in October as sales of new cars, no longer offering cut-rate financing, plummeted 17.2 per cent.

Auto sales in November rose a modest 0.9 per cent, while sales in general merchandise stores increased 1.7 per cent. Sales of hardware and furniture were down, wbile purchases at grocery stores ros 1.4 per cent and restaurant sales jumpad by 2.3 per cent.

Consumer spending accounts for two-thirds of the US economy, and it is considered crucial to its overall health. Some analysts are worried that consumers will limit purchases this month because of their debt burdens and record low personal savings level.

Stewart Fleming explains the effects of new efforts to control the US budget deficit

Budget law sets stage for defence spending battle

PRESIDENT Ronald Reagan yesterday signed into law the most far-reeching reform of the US budget process aince 1974 which, amoog other things, could be a major obstacle to maintaining his planned growth of defence expenditure.

This means that the so-called Gramm-Rudman-Hollings budget reform plan could fuel the political maelstrom threatening to engulf the White House. Having beeo forced in September by a rising protectionist storm to reorder his international economic priorities, the President found on Wednesday that his tax reform plan, the centrepiece of his second term political programme, had been blocked in the House of Representatives by his nominal Republican allies.

The new budget law seems to add greatly to the President's problems by calling for future cuts in Government spending on a scale which would undermine his defence speeding priorities. Indeed, so serious is this threat that many Congressmen supported budget reform because they believe it will force Mr Reagan to agree instead to tax increases—something which he has aaid must only a be a last resort.

The new legislation establishes a number of rules for the budget process:

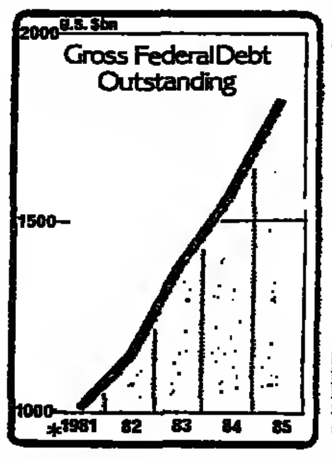
● It seta deficit targets of $171.9bn in fiscal year 1986, $144bn in 1987, $108bn in 1988, $72bn in 1989, $36bn in 1990 and budget balance in 1991. A special procedure calls for mandatory cuts in the fiscal year 1986 deficit limited to $12bn, suggesting that the deficit target will not be met. The actual deficit is expected to be around $190bn.

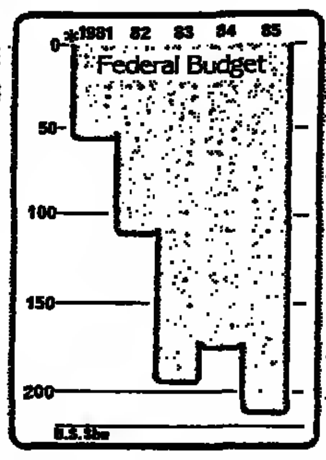
● In August each year, the Office of Management and Budget and the Congressional Budget Office will submit to the General Accounting Office separate estimates of the likely budget deficit for the fiscal year which begins in the following October.

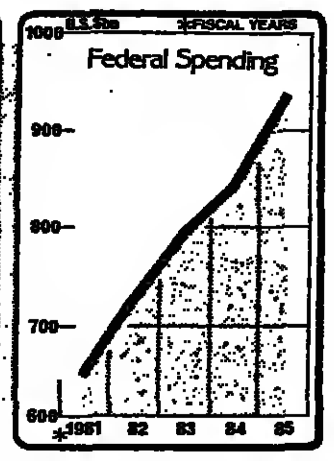
If the GAO certifies that the deficit will exceed the mandatory target by more than $10bn, it will draft a plan for across-the-board budget cuts to meet the target. On September 1, the President will issue an order imposing the mandatory cuts wbich will become effective oo October 15 if during the intervening six week period Congress has not acted to close the gaps.

● Certain politically sensitive programmes including social security, Medicaid (health support for the poor), aid to families with depandent children, food stamps, and veterans' compensation and pensions programmes are exempt from the automatic cuts and on others, including Medicare (health support for the old), the scale of cuts is restricted.

● The rest of the budget, an estimated $600bn in 1987, could be subject to automatic cuts if Congress had not reached agreement on budget proposals, which could include tax increases or aocial security cuts, to reach the mandatory budget target.







> Both parties on Capitol Hill are determined to resist any White House changes which may cost them votes

But the law stipulates tbat any mandatory cuts, known as Presidential "sequestering" to achieve the deficit goal, must be split equally between defence and non-defenca spending. In 1986 alone, he is given apecial authority to avoid across-the-board cuts and distribute tha reductions unevenly between different defence functions.

Tbus the stage is being set for wbat promises to be a tumultuous Congressional election year. With political control of the Senate at stake and the groundwork being laid for the battle over Mr Reagan's successor, both parties on Capitol Hill are determined to reaist any efforts of the incumbent wbich may cost them votes.

Wall Street has taken heart from the political manoeuvring in Washington, but its enthusiasm is based less on tbe practical changes which bave taken place and more on the evidence that Washinugton at last appears ready to stackle the budget deficit.

The uncertainty surrounding the precise implications of the budget reform proposal illustrates the point. According to one of its supporters, Rep Leon Panetta, it will force politicians to make rational political choices before the automatic apending cuts imposed by the President begin to take effect.

Others reject thia theory, suspecting that just as Congress has passed a law to club the budget deficit to death, so when they are actually faced with this prospect before next year's mid-term elections, they will simply pass anotber law allowing them to do any such thing. There are ample precedants for this.

Mr Alan Blinder, an economics professor at Princeton University, has raised the prospect of the "gravest constitutional crisia since Watergate" late next year as the President simply refuses to cut tha defence budget, as the law requires, on national security grounds.

Scholars are already debating tbe constitutionality of a law wbicb, they argue, seem to give tbe President powers explicitly reserved by the constitution to the Congress.

Briefs are already being prepared for a court challenge against the counter-argument that Congress has defined the limits of executive power closely enough to pass the constitutional test.

Perhaps the only certainty surrounding the budget reform is that in 1986 it will do next to nothing to reduce the $212bn of red ink run up in 1985. The idea of a smooth progression to a balanced budget in 1991 makes good beadlines at a time when the public is signalling that the deficit must eb tackled, but may be only a chimera.

The 1991 target assumes in the first place ateady economic growth of around 4 per cent over the next five years, making nine years of economic expansion at a rate well above long-term historical trends. The Bill contains provisions, howevar, that a recession might intervene and that cutting the budget deficit in such circumstances would only make thinga worse.

Under the provisions Congress can vote to suspend the legislation if the Congressional Budget Office or the White House Office of Management and Budget *forecast or estimate* that real economic growth will be less than zero in any two consecutive quarters.

> The idea of a balanced budget in 1991 makes good headlines, but may only be a chimera

Moreover, the deficit goals the legislation sets are politically unrealistic if no action is taken by the Congress to try to achieve them before the automatic spending cuts are triggered. The White House has estimated that only some $600bn of the $1 trillion (million million) annual budget for 1987 is actually vulnerable to the cuts. Whole areas, such as the $215bn social security programme, close to $155bn of interest on national debt, and $65bn of welfare programmes for the poor, have been explicitly protected from the automatic spending cuts.

But the Bill's advocates maintain that this will produce a rational budget cutting compromise. Because they would slash across the board in all programmes other than those explicitly exclnded, and be split evenly between defence and non-defence spending, they maintain they are exerting the maximum pressure on both Congress and the President to reach a deficit rednction compromiae which will not trigger the automatic spending cuts.

The pressure epparently exerted on the President is intense. Mr Reagan will next year propose a 1987 defence budget of $314bn, based on 3 per cent real growth in the defence budget. The automatic apending cuts would require defence spending reductions, not increases.

Thus, it is argued, the Bill will force the Preaident to choose beforehand wbether to cling to bis defence spending priority and agree to raise taxes or stick with bis tax philosophy and see a reversal of his defence build-up.

As Ms Alice Rivlin, former director of the Congressional Budget Office, puts it: The Main virtue of the legislation is that "it forces everyone, including the President, to face up to the agonising arithmetic" of the deficits.

The White House, for its part, is clearly hoping that a Congress faced with the threat of sequestering will take more seriously the programme of spending cuts presented for fiscal 1987 next February. It will propose a budget to slash domestic spending and continue the defence build-up.

Even aome administration officials concede this programme is politically nnrealistic, but it fits neatly into Mr Reagan's hard ball style of political negotiation.

Brazil seeks co-financing loan from World Bank

BY RICHARD FOSTER IN BRASILIA

BRAZIL bas revived plans to seek a major co-financed loan from the World Bank next year as part of an effort to restore loan flows from commercial banks even though it has no International Monetary Fund agreement.

Negotiations with the World Bank are at an advanced stage, according to officials here, and tha plan is expected to figure prominently on the agenda when Mr Joao Sayad, Planning Minister, visits tha World Bank in Washington naxt week.

Undar the proposal commercial banks would combine with the World Bank to provide a $800m (£563m) credit to tha state electric utility Eletrobras. Separately the World Bank would provida an additional $400m on its own account.

A possibla co-financing deal has been under consideration since before the government of President Jose Sarney took office, but bankers believe it is being revived now to see whethar Brazil can manage to generate loan inflows without the backing of the IMF.

In an interview this week Mr Sayad brushed aside the argument tbat Brazil should have an IMF agreement before seeking fresh credit. "The banks don't seem to be tbat worried about the IMF," he said.

Although opinion is divided on the Brazilian plan, some bankers say that World Bank approval could be sufficient to triger the electric sector loans.

In Washington Mr Sayad will discuss the plan with Mr Tom Clausen, World Bank President, in the context of efforts to increase World Bank lending to Brazil next yaar to close to $3bn.

World Bank lending to Brazil, one of the bank's major customers, has been under 1$bn for tha past three yaars.

Mr Fernao Bracber, Brazil central bank president, is also in the US this week and met yesterday with the 14 bankers of the Brazil negotiating committee.

Brazil has said it will seek no new loans in 1986 from private lenders as part of future talks to reschedule its foreign debt. The World Bank loans, coupled with private bank co-financing, would belp the country to continue on its present coures of dealing with its debt problem without IMF interference.

Canadian lawyers stripped of their silk

BY BERNARD SIMON IN TORONTO

CANADIAN lawyers spent much of yesterday arguing not for their clients but for themsalves in the wake of a decision by the Ontario Government to scrap a Commonwealth barrister's most treasured badge of rank, the centuries-old title of Queen's Counsel.

"They're making a dreadful mistake," said the president of the Canadian Bar Association's branch, like his conservative colleagues, be objects not only to the disappearance of a tradition but to t ,$Cab1300 dition, but to tbe C$1,300 (£650) which eacb QC expects to spend to replace his silk gown with a more lowly woollen garment and to remove tha letters QC from brass nameplates, stationery and calling cards.

Others are less npset. The president of Toronto's Criminal Lawlers Association said yesterday: "QC is like candy floss. It looks good, but once you bite into it, there really isn't much there."

That seems to be the opinion of the provincial government too, by general agreement, a lawyer's legal skills have become increasingly irrelevant in the appointment of QCs in Canada. The honour has been turned into another tool of political patronage, which is far more pervasive in Canada than Britain.

Until now, anyone who practised law for 12 years was eligible to become a Queen's Counsel. Toronto's Globe and Mail observed in an editorial yesterday that "familiarity with the party in power was no obstacle, unfamiliarity with the courtroom no disgrace." The federal and provincial governments name about 200 new QCs in Ontario each year in a ritual similar to tha Queen's New Year honours list.

Ontario bas about 3,000 QCs, including the leaders of all three of the province's main political parties. Announcing the abolition of the title, Mr David Peterson, the provincial Premier, pointed to bis own career as evidence of the honour's lack of substance. Mr Peterson has never practised as a lawyer.

A previous Ontario Government asked the Law Society to propose a new system of Queen's Counsel appointments based on a practitioner's excellence. But tha chances of Mr. Peterson agreeing to give lawyers a special status not anjoyed by senior members of any othar profession appears remote.

Haiti killings set back human rights efforts

BY CANUTE JAMES IN KINGSTON

THE RECENT efforts of the Covernment of President Jaan Claude Duvalier of Haiti to improve its human rights record were set back this week wben the security forces killed about 20 anti-government protestors.

The protests are a new pbenomenon in Haiti, representing unprecedented organised opposition to the 14-year rule of the President for life.

This week's deaths follow the shooting by the police two weeks ago of three school children in smaller anti-govarnment protests.

The incidents came after administration efforts to put on a more moderate face, following indications that the US Government would be reluctant to hand over loans which had been promised to assist the impoverished French-speaking country of 6m people.

The Americans have repeatedly indicated concern about paying just over $50m (£35.2m) promised to Haiti this year, unless there was a clear change in the direction of tolerance.

The protests were preceded by government harassment of its critics, including the Catholic Church. Opposition leaders, including Mr Sylvio Claude of the Christian Democratic Party and Mr Hubert Deronceray, a former government minister turned critic, were arrested in a government crackdown.

The US Government conveyed to the Duvalier administration its growing concern at the Government's attitude to the church, following the expulsion of three Belgian priests after the church attacked the Government's attitude to human rigbts. The churcb'a popular station, Radio Soleil, has been sbut by the Government.

The renewed attacks on the Opposition and the cburch came after a brief period in whicb moderatea in the administration gained the ascendancy, at the expense of Mr Roger Lafontant, the former Interior Minister, who was widaly regarded as being instrumental in the excesses for which the Government was blamed.

Shortly after he was dismissed, Mr Lafontant, once one of tbe President's closest allies, was unceremoniously placed on a scheduled commarcial airline flight from Port au Prince to Miami. He later went to Canada.

Mr Duvalier had attempted to meet foreign concern at his human rights record by freeing about 40 political prisoners earlier this year and organising what he claimed to be a referendum on changing the constitution to create the post of Prime Minister and allow tha registration of political parties.

According to the Government, it was approved by 99.4 per cent of the electorate.

The Opposition parties bave charged the Government with organising a sham. It appears the Government has no plans to have the parties play a meaningful role and, in order to be registered, the parties bave to swear allegiance to Mr Duvalier as President for life.

The brief experiment with mora liberal policies is likely to stop now. Faced with the possible withdrawal of foreign aid or dealing firmly with unprecedented popular protests against his dictatorsbip, Mr Duvalier is likely to consider the aid of minor importance in tha short term.

Afghan UN talks plea

THE Afghaniatan mujakedean guerrillas should ba given observer status at the UN General Assembly, Mrs Jeane Kirkpatrick, the former US ambassador to the UN said yesterday, *David Lennon writes.*

Describing the Afghan people as "inconquerable," she told a US Government-sponsored television press conference that the guerrillas should be present at any peace talks.

Giving the guerrillas the same atatus at the UN as that enjoyed by the South West Africa People's Organisation and the Palestine Liberation Organisation would be one of tbe ways of supporting their struggle against the Soviet occupation, the former ambassador said.

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NOTICE IS HEREBY GIVEN that pursuant to the terms of the 15.75% Bonds, $73,000 principal amount of 15.75% Bonds has been drawn by lot by the undersigned fiscal agent, for redemption, out of the Sinking fund moneys, on the 15th day of January, 1986.

The said Bonds so called for redemption will therefore be redeemed on the 15th day of January 1986 at 100% of the principal amount so called, plus accrued and unpaid interest to the date of redemption, upon surrender of the said Bonds with, thereto attached, all interest coupons maturing January 15, 1987 and thereafter, at any of the following paying agents:

—La Société Générale Alsacienne de Banque, City of Luxembourg;
—La Société Générale, Paris;
—La Société Générale, London;
—Morgan Guaranty Trust Company of New York, Brussels;
—Banque Nationale du Canada, Montreal.

Notice is also hereby given that interest upon Bonds so called for redemption shall cease to be payable from and after the said redemption date, namely the 15th day of January, 1986, and coupons for interest maturing after the said redemption date shall be void.

The designating letter and numbers of the Bonds so called for redemption are:

E—00465	01133	01946	02231	02340	02954	03889	03900	04677
04812	05766	06007	06910	11237	17951	13966	16389	16992
17011	20114	20644	21332	22701	22752	24106	24661	25950
26639	26743	27547	27805	28006	28212	28449	28511	28806
30726	32053	32100	32876	33340	35492	35552	35601	35674
37694	37913	40002	40305	40944	41157	41556	41671	41689
41002	43266	43506	44357	44905	44911	44980	45654	45763
45541	46899	45962	46001	46137	46546	46919	48093	48225
49336								

The designating letter and numbers of the Bonds called for previous redemptions and not presented for payment are:

B—01120	01609	02029	02279	02607	06210	09569	13692	14141
10168	15176	15367	15412	15866	15974	16277	16314	18411
18041	15176	27895	26005	28429	28450	28704	28630	29415
30432	51180	31937	32326	32916	34404	35027	35892	35915
38165	41216	42740	43235	43237	44246	44571	44682	44793
48857	49018							

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Leading Indian industrialist arrested

By John Elliott in New Delhi

MR S. L. KIRLOSKAR, one of India's most distinguished industrial pioneers, aged 82, was yesterday arrested in Poona near Bombay by Ministry of Finance revenue enforcement officers for allegedly violating India's foreign exchange and customs regulations.

Two other senior members of the Kirloskar family, which has built up a major south India engineering empire in the past 90 years, were arrested along with another senior executive. All were released on bail after a few hours.

Later in the day 15 companies were served notices alleging evasion of customs duty totalling Rs 400m (£23m) in a further demonstration of tha Government's attack on the black economy.

Last Friday the Government took the unprecedented step of suspending the licenses of ten leading jewellers in New Delhi, and served notices on another five, following the seizure of unaccounted gold jewellery and ornoments worth Rs 60m.

Mr Rajiv Gandhi, Prima Minister, launched an ottack early this year on the black economy which is estimated to deprive the exchaquer of 40 per cent of its tax income.

It is yielding an increased 20 per cent of tax income this year, dspite reduced rates of tax which will provide the basis of a long term fiscal policy to be published next Thursday by Mr V. P. Singh, the Finance Minister.

The Kirloskar arrests, which shocked India's business community, followed raids on Tuesday on about 50 premises of the group based in the industrial and army city of Poona, south of Bombay.

Kirloskar is one of India's top 15 family empires with turnover in 1983 of Rs 4.9bn (£290m) and assets of Rs 3.6bn. Kirloskar Cummins, a major part of group, was awarded the Indian Economic Times-Harvard Business School alumni association's first award for management excellence in last year.

The Finance Minister's enforcement officers told a court hearing in Poona yesterday that the group had acquired and transferred foreign exchange abroad in violation of the Foreign Exchange Regulation Act and had not repatriated substantial proceeds back to India.

It had also violated provisions of the Customs Act and Central Excise Act and evaded payment of customs duty by under-invoicing imports and declaring lower assessable values to the authorities, it was stated.

Union Carbide India, subsidiary of the US conglomerate, yesterday told the judicial inquiry into last year's Bhopal gas-leak tragedy which claimed the lives of 2,500 people that the leak was sabotage, Reuter reports from Bhopal. It said investigations at its factory had established that water could not have accidentally entered the storage tank in question.

Taba talks end in stalemate

THE LATEST round of talks between Israel and Egypt on Taba, the disputed border strip cloimed by both countries, ended in stalemate again yesterday, writes Lynne Richardson in Tel Aviv.

The main point of contention is Egyp's insistence that tha issue should be decided by international arbitration.

Reuter reports from Jerusalem: Officials yesterday imposed a news blackout on the visit of a US team investigating the case of Mr Jonathan Pollard, a US navy analyst accused of selling military secrets to Israel.

John Murray Brown looks at Africa's longest-running war

Eritrea's see-saw conflict continues

PEERING OVER the parapet across the barren landscape to the Ethiopian lines 400 metres away highlighted the old and modern of Africa's longest-running war.

Dug into trenches in a 400 kilometre arc were guerrillas of the Eritrean Peoples Liberation Front (EPLF). In the blue sky high above roared a government MiG 23 drowning out the sporadic crackle of small arms fire.

In this dry mountainous terrain, the guerrillas have fought a see-saw battle for the independence of Eritrea for 25 years, first with the pro-Western Government of Emperor Haille Selassie and since his overthrow in 1974 with the Marxist Soviet backed administration of Colonel Mengistu.

The demands of the EPLF, itself avowedly Marxist, have been rejected by both regimes. The historical claim of Eritrea, once a self-governing Italian colony, is overshadowed for the Addis Ababa Government by two imperatives: the refusal to countenance the division of the state, and the vital security interests presented by the Eritrean ports of Massawa and Assab.

For both the US and the Soviet Union, the two ports play a potentially decisive security role overlooking as they do, the major Red Sea oil route from tha Gulf.

Last month the Addis Ababa Government launched the latest in a series of campaigns to destroy the EPLF. However what emerged from a two week tour of the rebel held territory, was that despite heavy losses and a set piece tank battle which, said one rebel commander "was like Rommel confronting the British at Tobruk," neither side looks likely to win.

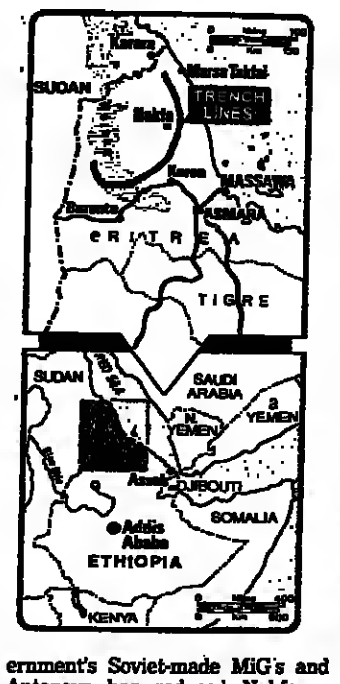
The guerrillas protect a mountain stronghold the size of Belgium, leaving Government troops in control of the plains.

The Government's current offensive aims to consolidate gains made in October when mechanised divisions redeployed from the Ogaden, overran the Red Sea coastal strip, and made deep inroads into the Barka valley in the west.

With the capture of the port of Mers Teklai, formerly the EPLF's only access to the sea, and the constant fighting near the border town of Karora, the Goverment is putting increasing pressure on the rebels' critical supply lines from Sudan, forcing them to use a more perilous inland route north of Orotta.

For all that, the rebel base area looks secure. At Nakfa, the last town in rebel hands, repeated Government attempts to breach the lines have been repulsed.

Months of bombing by the Government's Soviet-made MiG's and Antonovs has reduced Nakfa, a market town to a pile of rubble. Only the mosque's minaret remains standing.



Control of Nakfa is critical and depends upon holding Den Den. This is the mountain spur dominating the narrow Nakfa approach road from where the guerrillas can easily pick off the advancing Ethiopian tanks.

The EPLF has rarely ventured from its base area since being forced to withdraw from positions around Asmara, the Eritrean capital, in 1978 after the Soviet intervention on behalf of Colonel Mengistu.

The taking of Barentu and Tesseney in July this year was explained as a "political move." Barentu was formerly controlled by the Eritrean Liberation Front (ELF), a Saudi-backed conservative rebel movement defeated by the EPLF in 1982, after a bitter internal power struggle.

While a stalemate prevails in the trenches, the Ethiopians have stepped up their bombing raids behind the lines. The EPLF claims they have been targeting civilian settlements.

At Salumna, one of 23 camps for displaced people within the base area, tha large number of empty cluster bomb shells would seem to support rebel claims.

The attacks have also focused no supply routes from Sudan. The supply lines remain an important factor in the strategic equation. Sudan appears to turn a blind eye to the operation, wary of the threat of another huge influx of refugees across its eastern borders if this vital lifeline is cut.

This year over 130,000 tonnes of cereal supplied by the US and the EEC, has crossed the border. According to the Eritrean relief association ERA who co-ordinate the operation, 50 per cent of this goes behind enemy lines.

For the EPLF, the exercise serves an important political function demonstrating that the guerrillas are providing for the people.

Many observers also believe the operation helps cover the Front's arms traffic. The route is especially important following the loss of the Red Sea ports, which the EPLF once held.

If the war is to end, Sudan could play a critical role. The Government of General Swareddahab, which took power in a military coup last April, seems intent on mending fences with Addis Ababa. The quid pro quo apparently under consideration is that Sudan will and support for the EPLF, provided the Ethiopian Government stops supporting the Sudan Peoples Liberation Army (SPLA), which is fighting a civil war in the south of Sudan.

But for all the speculation no deal has been struck, and no early end appears in sight to the contineot's 25-year-old Eritrean conflict.

Commonwealth team on South Africa holds first meeting

A COMMONWEALTH committee of eminent persons which is to seek ways of persuading the South African Government to abandon apartheid held its first meeting yesterday, writes David Lennon in London.

Mr Malcolm Fraser, the former Australian Prime Minister, who is co-chairman of the committee, said: "It will require a great deal of patience and a good deal of tact if the multinational group is to win the confidence of the various elements in South Africa."

He said that the committee would try to carry out its discussions away from the glare of publicity.

● South African police used truncheons and whips to stop a crowd of white people holding a candlelight vigil against apartheid, AP reports from Johannesburg. Witnesses said the incident took place on Wednesday night near the beachfront of the Cape Town suburb of Sea Point.

The witnesses said about 150 people had gathered with candles in what had been a regular Wednesday-night ritual in Cape Town's mixed-race, or "coloured," communities. This was the first time whites staged a vigil in their own area.

The services – with the singing of freedom songs and silent marches – are designed to call peaceful attention to apartheid, the past 15 months of riots, the people killed in the unrest and those imprisoned without charges.

Police said about 300 people attended the gathering on Wednesday night. They said the demonstrators staged an illegal gathering and were warned before police moved in. The police were backed up by soldiers in armoured personnel carriers, witnesses said.

Earlier on Wednesday, police in Cape Town issued what they said was a warning that they would move against participants in the vigils. The police statement said the candlalight services were a threat to security.

"In truth, it is a planned tactic aimed at stirring the emotions of members of the public which in turn leads to violence," said Police Brigadier Chris Swart.

"I would like to appeal to the members of the public concerned not to allow themselves to be used in this way," Brigadier Swart said.

"Tha South African police are compelled to act against illegal gatherings," he said.

Philippines' poll timing challenged

By Samuel Senoren in Manila

MRS CORAZON AQUINO, the presidential candidate of the opposition coalition, called on the Philippine Supreme Court yesterday to rule immediately on the constitutionality of the early election scheduled on February 7.

Mrs Aquino, 52, who appeared with her vice presidential running mate, Mr Salvador Laurel, 57, in a news conference warned that the Supreme Court would be doing Filipinos a "disservice" if it allowed the case to drag on while the election campaign goes into full swing.

The early election has been questioned by leading lawyers before the Supreme Court on the ground that no special presidential election can be held if tha presidency is not vacated.

President Ferdinand Marcos, who initiated the call for early election to seek a new mandate, has agreed to resign only after the elections in his own interpretation of the requirements of the constitution.

The Supreme Court has set hearing on the petition on December 17. An adverse ruling would torpedo the scheduled poll even if it came immedtately before election day.

The Supreme Court, which is packed with Mr Marcos' appointees, has been known for sustaining Mr Marcos' stand on highly controversial constitutional and legal issues. Indeed some opposition leaders say that Mr Marcos could persuade the Supreme Court to declare the early electon unconstitutional if he came to believe he would lose it.

Notwithstanding the uncertainty, however, Mrs Aquino and Mr Laurel hit the campaign trail yesterday, stumping in Mr Laurel's home province of Batangas, couth of Manila.

Mrs Aquino said their chances of winning "now are exceedingly much better and I see victory," after the agreement to run under Mr Laurel's Unido party. "All of the anti-Marcos votes will be consolidated now," she explained.

New Zealand lifts curbs on wide range of imports

NEW ZEALAND will scrap customs and import charges from January 1 on a wide range of goods in order to reduce costs for manufacturers and farmers, **Reuters reports from Wellington.**

Mr Roger Douglas, Finance Minister, said in an economic statement to parliament yesterday that many consumer goods which normally attract duties of up to 45 per cent were also included in tha obout 500 product categories affected.

Only tariffs required by othar trade policy obligations would remain, he said.

Mr Douglas also said that import licensing for steel products would be phased out, farm debt and tax systems would be restructured ond the trading roles of government departments would be separated from their non-commercial functions.

"It is not an attempt at a quick-fix solution, it is an attempt actually to solve the problems faced by forms and some exporters," he said. Tha changes would allow essential restructuring to take place in the economy.

Exempted products would include cameras and stereo equipment, car spare parts and manufacturing inputs. The market share of steel imports, now limited to 10 per cent, would rise by 5 per cent a year before becoming licence-exempt in 1990.

Tariffs no steel imports would be reduced according to the product, but would not be completely phased out to preserve some protection for the local industry.

The Government would examine ways of restructuring farm debt burdens and would change some loan regulations to allow marginal farmers to quit their land. Immediate write-offs of farm development spending would be phased out by 1991 ond replaced by capital dapreciation.

Tha trading arms of departments such as the Post Office would not be privatised but would be operated on o commercial basis, separate from other departmental functions.

The tariff moves were expected to reduce government revenue by more than NZ$60m (£23m) a year. However, he said, the new policy would not affect the forecasted NZ$1.6bn budget deficit for the year ending in March.

The moves were "consistent with our policies to date, (which) emphasised the need for profits and income to reflect real returns and not government patronage," he said.

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FINANCIAL TIMES

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Financial Times, 19th July 1985

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WORLD TRADE NEWS

UK to step up EEC campaign on air services

BY RUPERT CORNWELL IN BONN

THE NETHERLANDS and Britain are planning to step up their campaign for a greater liberalisation of air services within the EEC during their successive Presidencies of the Community next year—if need be in the last resort by recourse to the European Court of Justice.

This was made clear yesterday by Mr Michael Spicer, the UK Minister for Aviation, after talks here with Mr Alfred Bayer, State Secretary at the West German Transport Ministry to review progress after the British-German agreement of December 1984.

That accord, providing for single, instead of double, country approval of new routes and cheap fare schemes, has seen the introduction of 12 new services between Britain and West Germany, and an increase from four to eight in the number of airlines operating these routes.

Traffic on them grew 14 per cent in the first eight months of 1985, compared with gains of only 6.5 per cent and 12 per cent in traffic from Germany and Britain respectively to Western Europe in general.

According to Mr Spicer, the Dutch and British Governments—which pioneered the current liberalisation moves—are co-ordinating their positions closely. Both intend to use the EEC Presidency to keep the issue high on the agenda, arguing that it should be brought within the Treaty of Rome, and included in efforts to complete the internal market of the Community.

After a lukewarm initial response to liberalisation, Bonn now appears to have been convinced by the strong boost in traffic and an ensuing 6 per cent rise in seat occupancy, of the advantages of the scheme.

French steel deal delayed

BY DAVID HOUSEGO IN PARIS

A RUSSIAN order for FFr 4bn (£365m) of steel products from the French state owned steel group Usinor is being held up by differences over payment terms.

The order was announced by Usinor in May through a protocol agreement to deliver sheet metal and pipe over the two years 1986-87. The group then said that it would be paid in cash, as has been Russian practice for steel product contracts.

Since then the Russians have told Usinor that they want credit facilities. Negotiations have so far failed to resolve the differences.

The delay is a major setback to the French steel group which has been reinforcing its capacity to produce heavy sheet metal for gas pipes as well as large diameter pipes in part in anticipation of major orders from the Soviet Union.

Usinor has invested FFr 1.3bn in new rolling facilities at its Dunkerque coastal mill and also took over the loss-making seamless pipes division of Vallourec, the French steel products division.

EEC to link up customs computers

By Paul Cheeseright in Brussels

EUROPEAN Community trade ministers yesterday agreed to co-ordinate the development of national customs procedures, with the aim of speeding the movement of goods among the 10 countries, soon to be 12.

The decision means that national administrations will work towards making their systems compatible with each other as they become more automated. When developed the Community system would mean electronic communication not only between different customs services, but also between customs and traders.

So far the UK and France have the most advanced computer systems at their customs. Greece does not have a system at all, while those of West Germany and Italy have not reached any degree of sophistication.

The customs move is one of a series taken this year by the EEC with the aim of removing all internal frontiers by 1992. Lord Cockfield, the Commissioner for the internal market, told the ministers that progress was encouraging on reducing technical barriers to trade and extending rights of establishment, but noted there had been no movement on the free movement of people or on rights of residence.

Only one proposal out of nine on bringing national tax systems closer had been adopted, he said. Further the search to harmonise health standards, the better to promote trade, had not gone very far—10 proposals out of 28 had been adopted.

Next year there 95 items on the agenda to ensure a continuous programme. The priorities have been worked out by the outgoing president of the Community—Luxembourg—with the next two presidents—the Netherlands and the UK.

Paul Cheeseright and Ivo Dawnay assess today's top level US-EEC trade talks

Old friends play down their differences

MR GEORGE SHULTZ, the US Secretary of State, today leads a team of senior cabinet officers in talks with the European Commission, led by Mr Jacques Delors, the President, designed to smooth over the rough edges of commercial relations between two of the big three in world trade.

Talks at this high level take place at this time every year. In the past the results have had a bland but calming quality. Neither side changes its position but each agrees to try to avoid aggravating the other.

Particular points of contention tend to be handled separately, as in the recent resolution of problems in steel, where a bilateral agreement has been reached holding down EEC shipments to the US, and in canned fruit, where the EEC has agreed to scale down subsidies to processors.

The most worrisome trend for Brussels is what is seen as a US attempt to fashion a trading world in its own image. President Reagan, in September, made clear that if international negotiations did not open up markets then he would instruct "our trade negotiators to explore regional and bilateral agreements with other nations."

But at the same time the Community feels obliged to seek to strengthen the Administration's hand against protectionist pressures in the Congress. It is a delicate game, matching vigour in protecting the interests of the Ten with an approach which is low key enough not to excite the very pressures the Administration is trying to head off.

Small issues are potentially explosive, largely because of the heavy symbolism they carry. The canned fruit affair, which at bottom concerned 63 tonnes of peaches a year, turned on willingness to accept obligations under the General Agreements on Tariffs and Trade (Gatt).

Some of the same quality is evident in the "pasta war." The recent US imposition of duties on pasta imports was inspired through pressure from US orange growers, exasperated by the favourable trade preferences offered by the Community to its Mediterranean partners.

Both Washington and Brussels are aware that US exports of citrus are relatively insubstantial and that the favourable terms offered to such countries as Morocco and Israel are largely motivated by an attempt to create political goodwill.

But the Reagan Administration for equally political reasons, needs to be seen to be protecting both its Gatt interests and its home producers.

The long-rumbling wine row over EEC penetration of the lucrative US Eastern seaboard wine market has similarities. The wine issue, on its own, should be contained — a hiccough in relations, but not a major crisis. That would only come if wine became an active dispute along with other contentious questions. And they are myriad and include:

- The Community worry about existing and possible new US textile restraints which could put pressure on its own market from developing country suppliers;
- The unitary taxation problem—the practice of some US states taxing multinational subsidiaries on worldwide as opposed to just locally earned revenues;
- European fear that US foreign policy might induce the US to seek to extend American jurisdiction over the activities of foreign companies through the renewed Export Administration Act.

As for the US, it has for years been angry about the Community's farm trade policy, claiming, in particular, that its system of disposing of surpluses through export subsidies for sales in the lower priced world market distorts trade.

Brussel's protestations that these payments only bring prices into line with the free market are transparently fallacious as anticipated Community disposals automatically bring prices down.

Nevertheless, the US's own trade restrictions—not least the infamous Gatt waiver that exempts many of its key farm products from foreign competition—weaken its public position of moral superiority.

This year, in a blatant act of aggression, spurred by massive surpluses at home, the US shots its own case in the foot by launching its own export subsidy programme by creating the $2bn (£1.4m) Biceps programme for selling its cereals abroad at cut prices.

Neither side can afford a downward spiral in grains prices through a subsidies war. Yet at the moment few can see a clear way through of avoiding an escalation in their use. While the US favours a strong dose of market forces for farm trade in the new Gatt round, Brussels' officials are deeply sceptical over whether this can be achieved.

Rivalry on the agricultural markets spills into the preparations for a new Gatt round of multilater trade negotiations. But the prospects for this round in fact draw the US and the EEC together. Both are anxious to shore up the existing system. Both are anxious to extend it into areas like services.

There may be differences of approach but the underlying aims of both powesr are the same. This parallel approach also finds expression in the concern that both have for the opening up of the markets of the third of the big three trading powers—Japan.

Certainly the sheer scale of trade between the US and the EEC—more than $107bn a year with the US consistently in surplus until last year—always ensures that there is more to unite than divide. It always underpins their pre-Christmas meetings, leading to pronouncements which stress fellowship more than friction.

Airbus denies US subsidy charges

AIRBUS INDUSTRIE, the European aircraft consortium, is to send a *formal* letter to the US Administration denying American allegations that Airbus aircraft sales are subsidised, Paul Betts reports from Paris.

Mrs Edith Cresson, the French Trade and Industry Minister, who had talks in Paris with Dr Clayton Yeutter, US Special Trade Representative, yesterday, said the letter would deny Boeing claims that Airbus aircraft sales were subsidised. The letter will say that Airbus can demonstrate that this was not the case, she said.

David Marsh on a venture that De Gaulle might not have liked

Air of pragmatism on French accord

FRANCE'S fleet of 11 Boeing C-135 transport aircraft, which provide mid-air refuelling for the Mirage IV bombers which carry nuclear weapons, are now powered by General Electric/Snecma CFM-56-2 engines.

The example underlines that, even in the most strategically sensitive fields where France and the US used to be at loggerheads, they have found a formula to allow co-operation on the basis of pragmatism and mutual benefit.

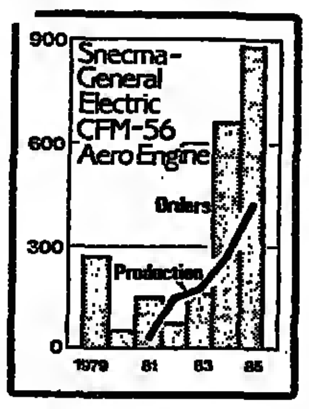
Mr Jacques Benichou, chairman of state-controlled Snecma, the world's fourth largest aero-engine group says that GE/Snecma co-operation is as important for France in terms of economic activity as French collaboration with European countries to build the Airbus.

More than 2,280 CFM-56 engines have been ordered for 52 different civil and military aircraft customers since 1979. The two companies started work on the programme in 1973, but overall technological co-operation goes back to the development in 1969 of the CF6-50 engine which powered the first A-300 Airbuses.

Success with the CFM-56 has been recent. Orders started to spurt last year, and the landmark events came this year. First, in January, the US Air Force announced a $2.7bn order—shared jointly between General Electric and Snecma—to re-engine America's fleet of KC-135 tanker/transporter aircraft.

The deal received relatively little publicity, but it was France's biggest military order from the US—more important than the recent deal to supply a mobile battlefield communications system for the Pentagon, where the share of the $4.3bn contract for Thomson, the French electronics group, will be about $1bn.

Last month the GE/Snecma combination also clinched another success, in chalking up



a $800m order — of which Snecma's share is $500m — to supply CFM-56-3 engines for United Airlines. The deal accompanied United's mammoth $3.1bn order to buy 110 Boeing 737-300 airliners.

Fortified by these two US breakthroughs, Mr Benichou says he believes the CFM-56 engine will have a total production run of 4,000 units—considerably more than was thought when the engine was first developed.

The strength of the co-operation with GE stems from the engine itself — "simple and robust" — and also from the harmony between the two companies' basic strategies, he says.

By contrast, he says, the five-nation IAE aero-engine grouping, linking above all Rolls-Royce and Pratt & Whitney in production of the new V-2500 engine, is more subject to strain because of commercial rivalry between the two leading members of the consortium.

The GE/Snecma combination is in direct competition with the IAE group in providing engines for the narrow-body A-320 Airbus due to go into service in 1988. The combination is offering its CFM-56-5 engine to place upon the new Airbus in 1988, while the more fuel efficient V-2500 engine will be available a year later.

Mr Benichou admits that the V-2500 has the edge over the CFM-56-5 in terms of lower fuel consumption, but claims that operating costs with the GE-Snecma engine are lower because of the latter's greater reliability and smaller maintenance needs.

"It is very easy to reach strategic accords with GE," says Mr Benichou. A big question intriguing the aerospace industry is whether the accords could be extended to military aircraft.

Transfer of technology to Snecma under the CFM accords already require considerable vetting by the US State Department, Snecma executives say. A *deal in military* engines would be even more complex to organise. However, in parts of the Snecma group there is already significant Franco-US co-operation in highly sensitive technology, centring on Snecma's 50 per cent-owned subsidiary, Societe Européen de Propulsion.

Rumours have been circulating in Paris that GE and Snecma could extend their strategic relationship by working jointly on the engine which will be powering France's Rafale fighter aircraft.

This is due to go into service during the 1990s in competition with the four-nation fighter which Britain, West Germany, Italy and Spain agreed this summer to develop jointly.

GE is already supplying three F404 engines (two operational, one spare) for the Rafale prototype being constructed by the Dassault-Breguet military jet-builders and due to make its first flight next spring. Supply of these engines is hedged with strict US controls over transfer of technology.

Up to now, Snecma has been working on a separate engine, the M88, planned to power the Rafale. Snecma executives say any decision to draw on expertise from GE to build the new engine would be very difficult to reach politically.

It would give the US the ability to veto through export licensing procedures the sale of French aircraft carrying GE technology to clients in the Middle East or elsewhere on the State Department's list of unfriendly states. This is a limitation from which France—by trying to develop its own technology—has always in the past sought to escape.

Snecma officials describe any question of work with GE over military engines as pure hypothesis, and say no discussions of this sort are going on at present. But, in what may be a pointer to future policies, they do not rule out the idea altogether.

New Issue
December 13, 1985

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The 67th Annual General Meeting of the Company will be held in the Ballroom at the Hyde Park Hotel, Knightsbridge, London SW1 on Thursday, 13th February 1986 at 12.30 p.m. Copies of the Annual Report and Accounts including the Chairman's Statement may be obtained after 17th January 1986 upon application to the Company's Registrars, National Westminster Bank PLC, Registrar's Department, PO Box No 82, 37, Broad Street, Bristol, BS99 7NH *or from the Company* Secretary, John Keay House, St. Austell, Cornwall, PL25 4DJ.

هكذا من الأصل

Industry facing 'flood' of equal pay demands

BY JOHN LLOYD, INDUSTRIAL EDITOR

CONCERN among employers over high wage awards arising from claims taken for equal pay for work of equal value is now mounting sharply, as unions claim that "the trickle (of claims) is turning into a flood."

By November of this year, some 530 applications claiming equal pay for work of equal value, involving 80 different employees, had been lodged. Only a handful of cases have gone to a judgment in an industrial tribunal, but a significant number have been "settled out of court" to the benefit of the claimants.

In separate developments in the past week:

● The Confederation of British Industry (CBI) has warned its members, in two special briefing conferences, that they should now seek to put their pay structures in order to pre-empt equal value claims.

● The Trades Union Congress (TUC) women's committee, meeting on Tuesday, heard a report that a "flood" of equal value cases was being prepared, especially by unions with women members in the white-collar sectors.

● A report published yesterday by PA Personnel Services warns that the Equal Pay legislation under which equal value cases can be taken could lead to wage increases "which individual companies and the economy as a whole cannot tolerate."

The CBI accepts that the legislation, contained in the Equal Pay Amendment Act (1983) and brought in under pressure from the European Commission, is unlikely to be altered. It has recommended to its members that pay structures should be modernised, and where possible single-status systems implemented in which anomalies are progressively eliminated.

In industries such as light engineering (where a number of women are engaged in assembly work), furniture and textiles, the payment systems are often highly complex and potentially anomalous, with bonus and other special sums which would be difficult to defend before an equal value claim.

Unions are now pressing these claims through the collective bargaining machinery – though sometimes with mixed results. In a recent case at Adia, a textile company in Strabane, Northern Ireland, a group of women in the white-collar union Apex won an "out of court" settlement for higher pay – but only on condition that they left the union.

Moves to block buy-out at Molins

By Our City Staff

SEVERAL leading institutional shareholders in Molins, the maker of cigarette manufacturing machinery, are seeking to block a £49.8m management buy-out of the company announced last month. They argue that Molins is being sold too cheaply.

The Molins deal is the first time thet a management buy-out has been attempted at a quoted British company not already subject to a takeover bid. The M&G unit trust group said last night, however, that it would be voting against the buy-out.

"We feel that the company is being sold too cheaply, given the possibilities for rationalisation and asset disposal," an official said. M&G holds 6.8 per cent of Molins shares.

Prudential, the insurance group which owns 4.7 per cent, is believed to support M&G. Opposition might well place the buy-out in jeopardy, since the scheme requires a 75 per cent majority of shareholders

A 29.9 per cent stake in Molins is held by BAT Industries, which is backing the buy-out.

A crucial 10.57 per cent stake is held by IEP Securities, a Sydney-based company controlled by Mr Ron Brierley. Dissenting institutions believe that IEP is in their camp.

● The Takeover Panel yesterday dashed Scottish & Newcastle Breweries hopes of victory in its nine-month fight for brewers Matthew Brown with a ruling that the £125m bid would not be allowed to go through.

Brown had protested about a 1½ hour extension of the offer period on Wednesday which allowed S&N to raise the level of acceptances above 50 per cent.

DTI GLOOMY ON BUSINESS INVESTMENT

Capital spending set to fall

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

A GLOOMY analysis of the prospects for business investment in Britain next year, with capital spending by manufacturing industry falling from this year's levels, was published yesterday by the Department of Trade and Industry.

In its latest review of industry's investment intentions, the department said that capital spending by manufacturing, construction, distribution and major service industries is expected to rise by only 1 per cent in real terms next year.

The volume of direct investment by manufacturing companies could rise by 4 per cent, but the capital spending they direct through leasing companies is expected to slump by 30 per cent. That would leave overall manufacturing investment 2 per cent down.

A slowing in the pace of investment growth next year has long been forecast because of the phasing out of capital allowances announced in the 1984 budget. Tha measures have had the effect of encouraging companies to accelerate their spending programmes to get maximum allowances.

Last year, for example, investment across all industries rose by 14 per cent after adjustment for inflation, while in 1985 it is forecast to increase by a further 6 per cent.

The latest projections are, however, much more pessimistic than the assumptions made by the Treasury when it forecast last month that the economy would grow by 3 per cent in 1985.

The Treasury did not publish a specific forecast for business investment when it published its autumn statement on the economy, but in subsequent evidance to a House of Commons committee, indicated that it anticipated a 4 per cent rise.

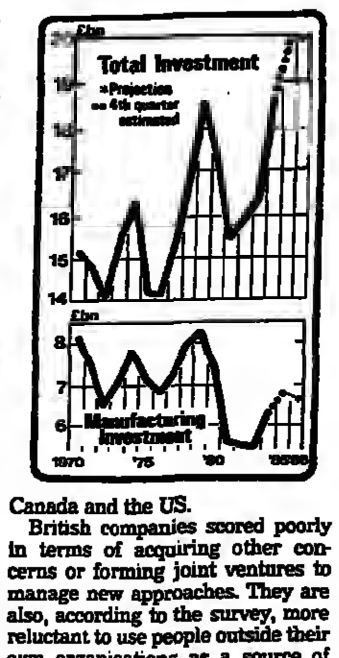
The Treasury view is that buoyant profits and a strong stock market might encourage additional investment. It is acknowledged, however, that the Department of Trade and Industry survey has a good track record in anticipating spending.

Much of 1986's investment is expected to be concentrated in the first quarter of tha year before tax allowances, are cut from 50 per cent to 25 per cent after April 5.

The disproportionate slump in manufacturers' investment through leasing, which accounts for about 15 per cent of their overall spending, is expected because the rapid growth of leasing in the past 10 years was generated largely by the previous tax structure.

The department forecasts that overall investment will total £19.98bn next year (in constant 1980 prices) compared to £19.82 this year, while manufacturing investmeot is put at £6.66bn against £6.77bn.

● Separate figures published yesterday show that industry's capital expenditure in the third quarter of this year rose by 3 per cent from the second quarter to stand at £4.4bn at 1980 prices. Stocks held by the production industries, wholesalers and retailers fell by £80m over the same period.



Peter Marsh writes: British managers lag behind their counterparts in the US, Japan and the rest of Europe in their attitudes towards innovation, according to a survey of nearly 1,000 chief executives of manufacturing and service companies.

In the survey, conducted by Arthur D. Little, the US company of management consultants, British executives were found to spend less time on introducing ideas into their organisations than managers in any other sampled country.

Fewer than half of UK companies said they had specific corporate expectations for the role innovation would make to earnings over the next five years, compared with 87 per cent in Japan, 86 per cent in West Germany and 51 per cent in Canada and the US.

British companies scored poorly in terms of acquiring other concerns or forming joint ventures to manage new approaches. They are also, according to the survey, more reluctant to use people outside their own organisations as a source of ideas.

About a third of companies in Europe as a whole and a quarter of Japanese concerns saw customers as principal sources of invention, compared with 9 per cent in Britain.

Law Lords uphold grants system

BY RAYMOND HUGHES AND RICHARD EVANS

THE GOVERNMENT'S strategy of setting financial targets for local authorities, and penalising those exceeding their limit, has been upheld by the House of Lords. The judgment yesterday will allow tha announcement of the rate (local property tax) support grant settlement for 1986-87 to go ahead as planned next Wednesday.

Five Law Lords unanimously allowed the Government'a appeal against the Court of Appeal's decision in October that the grants system was discriminatory and unlawful because it meant severe reductions in the targets of some councils while leaving others unscathed.

The legality of the systems had been challenged through the courts by Bradford City Council and Nottinghamshire County Council.

Ministers greeted the unanimous judgment with intense relief, as the Government's strategy for controlling public expenditure would have been in ruins had the Appeal Court ruling been upheld.

The Environment Department would have had to pay £24m in extra grants to the two local authorities and there would have been a string of related actions

Tighter rules urged on insurance sales

BY ERIC SHORT

LIFE AND unit trust salesmen will effectively be forced to choose between being representatives of one company or becoming completely independent intermediaries under proposals issued yesterday by the Marketing of Investments Board (Miboc).

In addition, life companies will be banned from making extra commission payments for large volume business, known as overrider payments, and benefits in kind to independent intermediaries. These salesmen also face disclosing to clients the amount of commission received on a sale.

Miboc was established earlier this year to supervise and monitor the marketing of investments aspects of the Government's investor protection framework. Its main functions involve a supervisory system for the marketing operations of life companies and unit trusts and the functions of life and unit trust salesmen.

The main theme of the Government's proposals was that businesses should be authorised and take full responsibility for the actions of their employees. Life assurance marketing is so diverse, however, and the numbers so large that Miboc has taken the line that this needs reinforcing with controls on individuals.

This was seen in Miboc proposals issued in August for licensing of salesmen. Now it has followed this with proposals for the agency and commission aspects of life assurance and unit trusts.

Mr Mark Weinberg, chairman of Miboc and chief executive of Allied Dunbar Group, said that the proposals aimed at making it clear to the client whether he was dealing with a company representative or an independent intermediary, and if the latter that the client was getting genuinely independent advice.

The proposals set out two main ways of achieving this overall objective. First, salesmen will have to decide whether to he company representatives or completely independent.

This affects the position of tied agents, self-employed or corporate firms of salesmen who tie themselves to one or more life companies, selling those companies' products in return for extra financial assistance in both higher commission and benefits in kind.

Salesmen tied to one company can continue to operate as company representatives, providing they make it clear to clients they are not independent. The proposals set out in detail how this would be achieved.

The second main method of achieving the overall objective is for independent intermediaries to disclose to clients the commission received on each sale. In addition, extra commission payments or benefits in kind would be banned.

Editorial comment, Page 14

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UK NEWS

British Steel 'gains less' by indirect subsidy

BY IAN RODGER

INDIRECT SUBSIDIES reduce steelmaking costs by £8 a tonne in West Germany and France, by £8 a tonne in Italy, but only £1.20 a tonne in the UK according to a study carried out for the iron and steel economic development committee of the National Economic Development Office (Nedo).

The study was commissioned on the assumption that indirect subsidies would become increasingly significant in the European steel industries from next year when direct subsidies will be forbidden.

Indirect subsidies include such things as aid given by governments to coal and electricity producers, railways and suppliers of other goods and services to the steel industry. Governments also help companies meet various employment costs, such as training, health benefits and redundancy charges.

The study, conducted by the London-based consultants Environmental Resources (ERL), was carried out between March and June of this year. It specifically excluded examination of subsidies on coking coal and electricity, because the comparative energy costs to industry in Europe is already the subject of constant study by Nedo.

ERL found that transport aid – in the form of subsidies to railways, inland waterways and ports – was particularly high, amounting to £170.8m a year in West Germany, £94m in France, £75.6m in Italy and £2m in the UK. Labour-related schemes added an additional £73.7m in indirect subdidies in West Germany, £36.7m in France, £47.4m in Italy and £12.4m in the UK.

ERL acknowledged that many forms of indirect subsidy, such as redundancy programmes, were not aimed directly at the steel industry, but others, such as some port investments, definitely were. In some instances, the steel industry receives a disproportionately large benefit from a general aid programme, regardless of the intention.

The study predicted that indirect subsidies to cover the costs of redundancy and retraining were likely to become more important in the next few years as steelmakers continued to shed labour.

Mr Oscar De Ville, chairman of the committee, said he hoped that the study would be of use to the European Commission in its attempts to restore fair market conditions to the EEC steel industry.

● Steel production in the UK averaged 311,400 tonnes a week in November, fractionally higher than the 311,000 average in the previous month.

Indirect state aids in the EEC and their impact on the EEC steel industry, Environmental Resources Ltd., 106 Gloucester Place, London W1H 3DB.

Ulster talks plea rejected

BY KEVIN BROWN

ULSTER Unionist MPs yesterday rejected government appeals to drop their ban on talks with Northern Ireland ministers.

The 11 Official Ulster Unionist Party MPs, led by Mr James Molyneaux, stayed in their seats throughout the 45 minutes of House of Commons questions on Northern Ireland and laughed at the efforts of ministers to defend the Anglo-Irish agreement.

Mr Tom King, the Northern Ireland Secretary, and Mr Nicholas Scott, the junior minister for the province, deplored the non-co-operation strategy and urged the Unionists to communicate with the Government.

Mr King repeatedly drew attention to the acceptance by the Republic of Ireland that Ireland could be united only by consent. He denied rumours that the Ulster Defence Regiment was to be disbanded and that the Royal Ulster Constabulary's uniform was to be changed.

He also insisted that there was no commitment by the Government to set up joint courts and assured the Commons that "every possible step" would be taken to overcome the IRA's threats to building workers repairing police stations

John Moore reports on allegations of corruption in the London insurance market

Barrage that has Lloyd's taking cover

FOR NEARLY two weeks the Lloyd's insurance market has faced a barrage of allegations from Mr Brian Sedgemore, the Labour MP.

Using parliamentary privilege, under which members are protected against law suits for libel or slander when they make statements in parliament, Mr Sedgemore has mounted a fierce attack against Lloyd's and the Conservative Government.

The allegations range from a summary of the scandals at Lloyd's which first surfaced in 1982, to the conduct of the former chairman of Lloyd's, Sir Peter Green, and his tax affairs, the business activities of a former deputy chairman and a host of other matters. The MP has also called for the resignation to Mr Peter Miller, chairman of Lloyd's.

Some of the allegations are serious. Others have been the subject of gossip for years in bars around the City of London's Lime Street, where Lloyd's is based. The source of Mr Sedgemore's information has given rise to speculation at Lloyd's.

Some of the most disaffected members of Lloyd's, who have faced disciplinary action from it, are understood to be ensuring that a range of issues are aired in parliament.

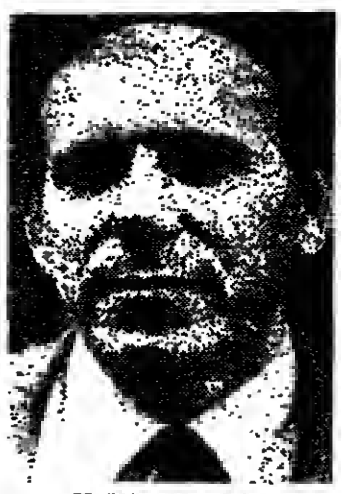
The allegations come at a sensitive moment for the Government and Lloyd's. The new Financial Services Bill, designed to protect investors and reform regulation of the City, is due to be published next week. The Labour Party and some Tory MPs are arguing that Lloyd's should be included in the Bill.

If Lloyd's were included, it would mean that the market would be subject to the formal regulatory requirements to be applied to the rest of the financial community. At present, the market is regulated under an Act which allows to Lloyd's to run its own affairs.

Mr Sedgemore has argued that self-regulation at Lloyd's has failed and should be "replaced by statutory controls." In the allegations made to support his argument, he has cited a wide range of examples, most of which date from the period before Lloyd's took steps to reform its market under private legislation.

That legislation was passed in 1982. The Act which Lloyd's promoted to reform its regulatory powers was designed to update legislation from the 1870s.

Mr Sedgemore instances the PCW scandal, details of which have become public in the last three years. More than £40m disappeared from insurance syndicates under the management of the PCW underwriting agency. It was alleged at Lloyd's that the money had been misappropriated by former Lloyd's professionals, Mr Peter Cameron-Webb and Mr Peter Dixon.



Mr Brian Sedgemore

Sir Peter Green

The story of the PCW affair began to appear at the same time as Lloyd's was hit by the Howden affair, in which it was alleged that $55m had been misappropriated by other Lloyd's professionals from insurance interests managed by Alexander Howden, the insurance broker. These irregularities all predate the 1982 legislation.

The Sedgemore campaign has hinted at something darker afoot in the Lloyd's insurance community. There have been allegations that Sir Peter Green held discussions with Lord Richardson, the former Governor of the Bank of England, about his personal tax affairs in 1983. Mr Sedgemore has called for an explanation of the discussions which, he alleges, were designed to seek special tax treatment for Sir Peter.

Mr Sedgemore has also called for an investigation into Sir Peter's relationship with an offshore company in the Cayman Islands, the Imperial Insurance Company.

The allegations do not stop there. Mr Sedgemore also wants an investigation into allegations that Mr Leslie Dew, a deputy chairman of Lloyd's in the mid 1970s, shared commissions as an underwriter from banking insurance business placed through the broker Alexander Howden, while he was employed at Merrett Syndicates. The commission, it is alleged, was paid directly into a Swiss bank account. Mr Sedgemore has called for an investigation into Mr Dew's role as president of Gulf Oil's Bermudan insurance company, Insco.

Mr Sedgemore has asked that the business activities of Janson Green, Sir Peter's underwriting agency company, should be examined. He has focused on the Cresvale dealing company in which Janson Green has a substantial shareholding.

On these allegations Mr Sedgemore has offered no evidence of irregularity and some of his assertions have been wrong. But, as he says, he has "rattled the cage."

In parliament he has created deep suspicion that there is widespread corruption in the City. So far the main examples he has highlighted are well-documented cases. What worries Lloyd's is that, if troubles emerge in its market which postdate its reform programme, the case for remaining outside the new City regulatory regime will be lost.

Number of crude oil barter deals said to be falling

FINANCIAL TIMES REPORTER

THE BARTERING of crude oil for goods, estimated to account for between 10 and 20 per cent of the Organisation of Petroleum Exporting Countries' (Opec) oil sales, is a fading phenomenon, according to Shell International Trading.

The number of oil barter deals was dropping "quite dramatically," said Mr Alexander Santman, counter-trade manager of the company, yesterday.

He was speaking on the third day of the Financial Times Conference on World Banking, devoted to the subject of barter and other forms of counter-trade.

The main reason, he said, for the fall in demand for barter was that most oil producers had accepted the "netback" system, in which the sale of crude was related to the retail value of refined products, less the cost of processing, transport and insurance.

FINANCIAL TIMES
WORLD BANKING IN 1985
CONFERENCE

National oil companies preferred "netback" sales since they could control the transaction themselves. They opposed barter deals because it meant greater government interference and supplies reaching the market at less than spot rates.

Counter-trade was for most developing countries a temporary response to difficulties rather than a deliberate course of action, said Mr Jaime Gonzalez, president of the Philippine International Trading Corporation.

He said the Philippines had resorted to the system reluctantly to promote manufactured exports at a time of deteriorating terms of trade with the rich nations and growing protectionism.

"It seems quite clear that the harsh economic realities besetting tha Third World countries, more than any other factor, have led to the resurgence of interest in counter-trade in the 1980s," he said.

The British Government's neutral policy on counter-trade was defended by Mr Christopher Benjamin, an Under-Secretary at the Department of Trade and Industry.

Counter-trade might be criticised for lack of "legitimacy," but the fact was that traders and banks were having to adapt and innovate to handle it.

The indications were that the business was growing, pushed partly by countries' lack of confidence in the price stability of the commodity they were used to dealing in – money, Mr Benjamin said.

Mr Helmuth Bohnnovsky, chairman of Midland Export-Creditbank, based in Vienna, set out the risks that financial intermediaries were able to tackle on behalf of customers. The prime objective of intermediaries, he said, was to "transform counter-trade commitments into tradeable and transferable instruments."

The size of the counter-trade business was easily exaggerated, said Mr Christian Tyler, trade editor of the Financial Times. There was evidence to support the conclusion of the General Agreement on Tariffs and Trade (Gatt) and the Organisation of Economic Co-operation and Development (OECD) that counter-trade accounted for under 10 per cent of the total world exports.

Dr Gerhard Vogt, a member of the board of Centro Internationale Handelsbank, described the "financial engineering" requirements of big counter-trade deals, and the difficulty of framing contracts in what he called a market for specialists' specialists.

The role of the trading company in counter-trade was outlined by Mr Yves Kupfermunz of MG Services. He said the business was essentially about the movement of goods. He noted a revival of clearing arrangements outside the Eastern bloc.

Mr I. G. Tylee, director of Hermex Impex, spoke on company experience in counter-trade.

Labour in call for takeovers statement

By Our Political Editor

A CLEAR statement of the Government's attitude to the recent wave of big takeover bids was urgently required, Mr Bryan Gould, Labour's trade spokesman, said yesterday in a letter to Mr Leon Brittan, the Trade and Industry Secretary.

Mr Gould said that while the reference of the bid by Elders IXL for Allied Lyons to the Monopolies and Mergers Commission was welcome, it had done little to clarify the principles which the Government intended to apply more generally.

Mr Brittan has asked for a review of competition policy early next year.

Mr Gould asked whether the Government had a view on the desirability or otherwise of a further major concentration in some areas of the industrial economy and wondered whether the GEC bid for Plessey had the Government's blessing. If it did, he asked how widely did this apparent revival of a doctrine last fashionable in the 1980s now apply.

Mr Gould also asked what view the Government took of bids from foreign sources. He wondered whether the Government was neutral towards the possible introduction of financing arrangements which had already become established in the UK but which had only just made an appearance in this country, such as "leveraging" and "junk bonds."

The Government's present policy of apparently making *ad hoc* decisions might, he said, be just about workable if the odd substantial bid came along from time to time, but it was scarcely adequate when huge bids were being announced daily.

"In the absence of clear guidelines, everyone will feel vulnerable. The danger then is management attention will be concentrated exclusively on the short-term business of warding off attack, rather than on the long-term task of strengthening our economic performance."

In a statement yesterday, Mr Gould said Britain's managers were "engaged in an activity which can best be likened to the behaviour of cannibalistic piranha fish – producing the maximum amount of blood, confusion and self-inflicted injury for the minimum degree of overall benefit."

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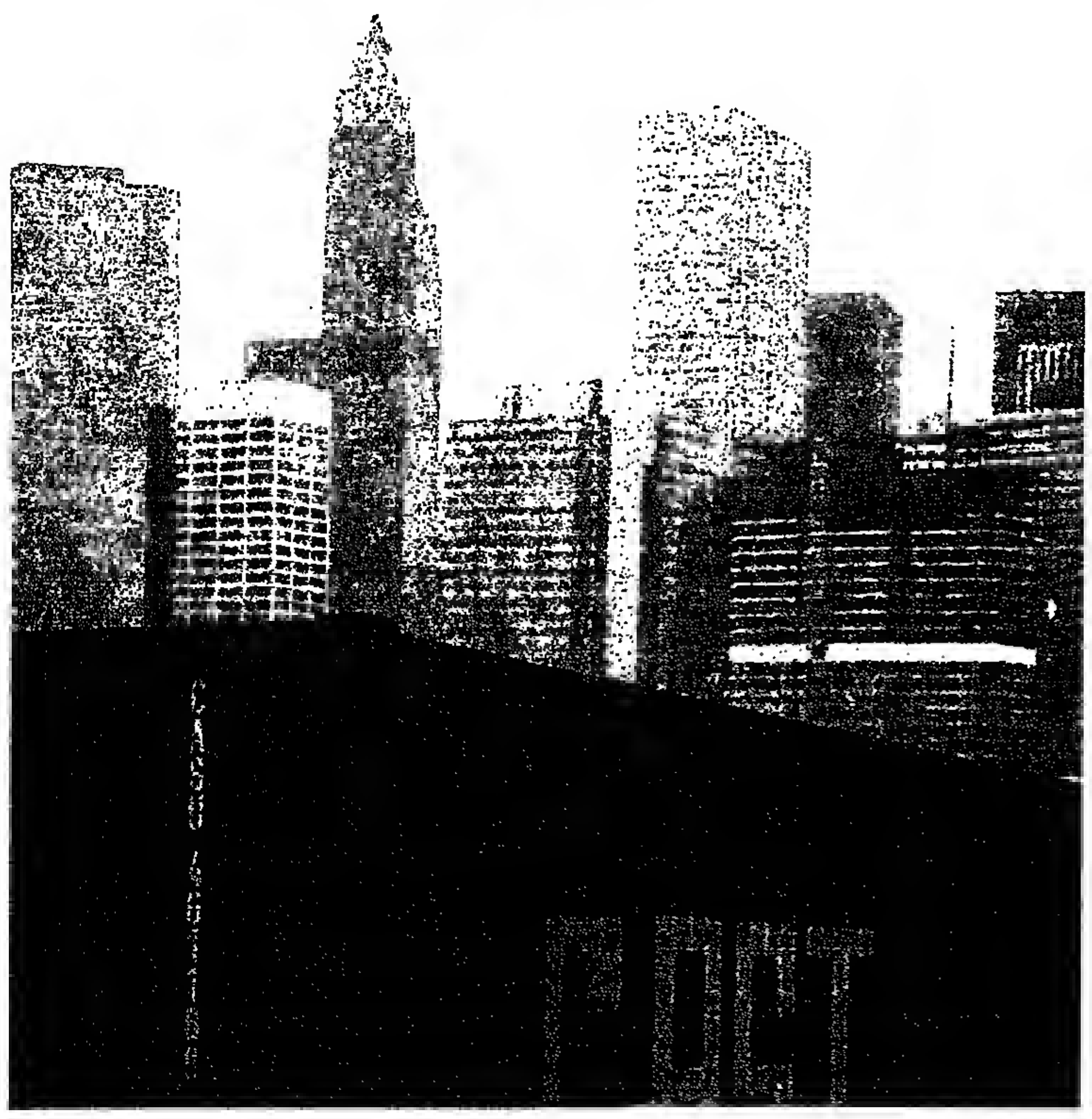

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13th December, 1985

Demand for tax overhaul on currency gains

BY CLIVE WOLMAN

LARGE UK companies are having to challenge tax bills of several hundred million pounds on their foreign currency transactions as a result of "curious antiquarian" laws and "worse than imperfect" Inland Revenue practices, according to the Institute for Fiscal Studies (IFS).

In a study published yesterday, the IFS, an independent body, proposes an overhaul of the taxation of foreign currency gains and losses which would exempt from tax short-term unanticipated fluctuations.

It accuses the Revenue of resisting all reform except the minimum changes necessary to comply with a House of Lords ruling two years ago in favour of Marine Midland bank. The authors, Mr John Kay, the IFS director, and Mr John King, corporate tax programme director, contrast the approach of the US Treasury which, they say, has sought to clarify the law and remove anomalies.

In a comment on his report, Mr Kay claimed that the UK Revenue wielded far greater influence over tax policy than foreign tax agencies. But it had few officials prepared to analyse tax reform proposals in a fundamental way, Mr Kay said. Consequently, bureaucratic inertia prevailed and an adherence to outdated principles.

The Government is considering a Revenue provisional statement of practice issued in January in response to the Marine Midland ruling and the criticisms of it from accountants and multinationals.

The increasing volatility of exchange rates since the 1971 collapse of the Bretton Woods system of fixed rates has made the taxation issue acute, the IFS says. UK accountants have been slow to decide how the consequences of currency fluctuations should be treated in company accounts. There are "weaknesses in the accounting conventions used to measure profits," says the IFS study, which was sponsored by several international accountancy firms and multinational industrial and financial companies.

The current accounting standard, adopted only in 1983, relies on a combination of two different principles for translating the foreign currency assets and liabilities of a UK company or group into sterling at its balance sheet date.

A company's accounts are the starting point for measuring its taxable profits. But the IFS says that tax law, as developed by the courts and Revenue, has added further arbitrary distinctions, in particular that between "fixed" capital, which is long term serving as the base of the business, and "circulating" capital.

The distinction is a "curious antiquarian excursion" in tax law and is not accepted by any modern management or economic theory, the IFS comments.

Such distinctions mean that a company's foreign exchange gain or loss, as a matter of chance, are treated under any one of three different tax regimes, as income, as capital gains (and losses), or as not subject to tax at all, the study points out.

The arbitrary differences have often made it impossible for a company to hedge its foreign currency exposure, it says. A hedge which is effective in pre-tax terms may not be effective after tax. The differences have also encouraged tax avoidance with companies creating artificial tax-deductible currency losses balanced by gains which are non-taxable.

In the Marine Midland case, the bank hedged its dollar-denominated subordinated loan stock, defined as fixed capital, with current dollar assets (circulating capital). The Revenue claimed that the exchange loss on the fixed capital could not be offset against the taxable gain on the circulating capital. But it was overruled by the Court of Appeal and House of Lords.

A Revenue statement of practice said that as a result of the case, perfectly matched (hedged) positions would not give rise to a taxable profit or allowable loss. In cases where the matching was incomplete, a complex tax adjustment has to be made.

The IFS study criticises the Revenue statement on three main grounds. It creates further uncertainty as it goes beyond a strict interpretation of the court judgment, which was itself unclear; the tax treatment differs from the 1983 accounting, and it will distort a company's financing decisions.

The proposal made by the IFS is that the UK should adopt a distinction used in the US Treasury's tax reform proposals announced earlier this year. This was between the "permanent" or anticipated movements of currencies, which represent their underlying strengths and weaknesses as reflected in interest rate and inflation differences, and the "transitory" short-term fluctuations.

The IFS proposes that only permanent gains on monetary assets and liabilities should be taxed. The reasoning is that if a company borrows in a weak currency (one probably subject to high inflation rates), it will generally have to pay a high rate of interest which will be tax-deductible. However, much of the high interest is merely compensation to the lender for the expected depreciation – and the company should, therefore, be taxed on this anticipated diminution of its liabilities.

Conversely if a company lends money in s hard currency at a low rate of interest, for example the Japanese yen, it will generally anticipate s rise in the currency's value to compensate for its low interest rate. Thus, any currency gain should be taxed in the same way as the interest it receives.

The anticipated element in exchange rate movements may be calculated by reference to the forward or futures markets – or by examining interest rate differentials between the two currencies.

By contrast, short-term unanticipated gains or losses on exchange rates would not be taxable or tax-deductible. This would ensure that a perfectly hedged foreign currency position would not affect a company's tax liabilities.

The IFS paper also proposes that s UK company should be permitted to draw up its accounts for tax purposes in its "functional" currency, even if that is not sterling. The risk that a company would do so purely to achieve a tax saving is small, the IFS says, because its natural unit of account can be assessed objectively.

Taxing Currency Fluctuations, IFS, 180 Tottenham Court Road, London W1. £10 for non-members.

Ladbroke loses plea over Dow Jones name

BY RAYMOND HUGHES. LAW COURTS CORRESPONDENT

LADBROKE Index – part of the British Ladbroke hotels, entertainment and gambling conglomerate – has failed to remove what it alleged amounted to a novel complaint of unfair competition from a pending High Court action against it by Dow Jones & Company.

Mr John Griffiths, for Ladbroke, told the judge Mr Justice Whitford that the Dow Jones action, which principally concerned alleged passing-off, included the unusual claim that, in its use of the Dow Jones Index and the name Dow Jones, Ladbroke had interfered with a Dow Jones property right and caused the company damage.

What, in effect, was being alleged, was a tort (civil wrong) of unfair competition which was unknown to English law, Mr Griffiths said.

The Dow Jones Index covered 30 selected stocks on the New York Stock Exchange which reflected the volatility of the market. It was published in newspapers and on radio and television.

Ladbroke Index took bets from people who wanted to bet on, or hedge against, share movements in New York and London. Dow Jones alleged that Ladbroke was passing-off the Dow Jones Index as its own.

Mr Griffiths said that Ladbroke feared that Dow Jones intended going beyond a passing-off claim and trying to establish unfair competition.

The judge refused to strike out that part of the claim. He commented that the case was being watched with interest by other publishers of indices, and said that Dow Jones wanted to argue that it had a proprietary interest in the words "Dow Jones Index" and the Dow Jones name. It contended that Ladbroke's alleged interference with that interest was not the same as passing-off.

The issue could not be said to be unarguable, the judge said, and he considered it better for both parties that it should be dealt with at the trial together with the other parts of the Dow Jones claim.

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John Griffiths examines how a tyre group lifted its market share and turned losses into a profit

The transformation that kept Pirelli in Britain

PIRELLI, the Italian tyre and cable group, "came very close" to closing its UK manufacturing operations because of poor productivity and financial losses which reached £12m in 1982, the company has disclosed.

But Mr Joe Denton, manufacturing director, said a "total transformation" of workforce attitudes and working practices had led Pirelli to invest £23m in its UK tyre operations this year. It now forecasts profits substantially above the £4.6m net earned last year.

Mr Denton said the UK tyre plants, which employ 1480 at Burton-on-Trent near Derby, and Carlisle, in Cumbria, had moved from being among the least efficient of Pirelli's 110 plants worldwide into second place, with 40 per cent of their output exported.

The turnround follows three years of restructuring within the UK subsidiary by Mr Sandro Veronesi, drafted in as managing director by the Italian parent during the period of the British company's heaviest losses.

Pirelli's share of the UK original equipment car tyre market has moved up to 20 per cent, and 11.5 per cent of the replacement market, compared with an overall level of 8 per cent in 1981–82, according to Mr Martin Wood, sales and marketing director.

This year's investments include £7m on a new production facility at Burton-on-Trent to produce Pirelli's first radial truck tyres, which went on-stream recently and which so far has helped Pirelli lift its truck tyres market share from 6 per cent to 7.5 per cent.

Mr Denton said a key element in the company's transformation had been a decision to "stop sitting down with the shop stewards (local union officials) and, instead, explain our position directly to the workforce. It's s policy we've been following for the past few years – and it's unbelievable what action we've consequently been able to undertake.

"For example, we used to have 50 people checking quality of the rubber extrusions – and quality was terrible. Then we transferred responsibility for quality to the men on the shopfloor producing them, and now it's terrific."

Work practice flexibility has increased to the extent that some 50 people usually engaged in truck tyre production – a UK market sector where production capacity exceeds demand by 100 per cent – are temporarily being switched to redecorate offices.

"I've been in this business for 25 years," Mr Denton said. "Looking back over the old British management practices, I can't escape the conclusion that for many of the years I'd been a failure."

Pirelli is now claiming an output of 200 tyres per man shift, compared with 120 five years ago.

Early next year, it is to launch an attack on the high performance car tyre market with a new range of radials, production of which has also just begun at Carlisle in north England.

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Total No. of Debentures = 5,711

Debentures covering U.S.$289,000 have been purchased on the market to satisfy the U.S.$6,000,000 required on the Purchase Fund due January 15th, 1986.

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THE PROPERTY MARKET BY MICHAEL CASSELL

Another tie-up for Tarmac and LET

TARMAC is taking its long-standing relationship with sector high-fliers London & Edinburgh Trust a step further with the decision by its property arm to form a joint company to complete the Waterside business park at Bracknell, Berkshire.

The project will cost around £50m and a recently-submitted planning application by Tarmac Properties envisages the development of at least 300,000 sq ft of high-tech accommodation on a 15-acre site.

Tarmac first purchased 140 acres of land at Waterside in 1982, much of which has been allocated for housing. The company also sold off, in separate parcels, about 12 acres of development land. LET was among the initial purchasers and has since successfully developed 105,000 sq ft of floorspace, pre-let to Hewlett Packard at a record campus rent of about £10 a sq ft.

Now, in order to fully exploit LET's high profile and Tarmac's land ownership, the two companies have formed Waterside Park to see the entire project through. Nick Sheehan, of LET, says they have got the "best land in Bracknell" for this type of development, a comment which is unlikely to go unchallenged by Danny Desmond of Bride Hall who, with Postel Investment Management, is planning an £87m business park nearby.

Postel is itself an old Tarmac Properties partner and is currently funding the company's £48m redevelopment of Schofield's department store in Leeds. It also paid £24m for Tarmac's Lion Walk scheme in Guildford.

At Waterside Park, where early deals are expected to reach £12 a sq ft, LET will be responsible for project management and Tarmac will handle the planning. Ownership of the land will be split between the 50-50 partnership, which will be seeking some institutional funding.

The Tarmac property operation, headed by Steven Reeves, was set up in 1969 and was originally half-owned by Berkeley Hambro. Among the company's commitments is the Heron Quays development in London's docklands and Reeves reckons the current programme has a completed investment value of around £500m.

Tarmac has, through Tarmac Construction, worked with LET for six or seven years, the first project arising in Milton Keynes when LET was operating under the Second London Wall banner. The two companies have since jointly developed a number of schemes via Macwall, though their latest and largest—an office and "mid-tech" project at the Hogarth roundabout in West London funded by Fleming Property Unit Trust—remains uncomfortably empty.

Mr Markham's Japanese designs

JULIAN MARKHAM, the former fashion designers turned property developer who once vowed "to grow as small as I can get" this week hit the big time.

With Kumagai Gumi, his unlikely, low -key Japanese partners, Markham managed to snatch one of the City of London's plum development sites from under the noses of some of the UK's biggest and brightest property groups.

The site in question was the former Post Office headquarters at St Martins-le-Grand, close to St Paul's Cathedral, regarded as one of the last great redevelopment opportunities in the City and one which excited the interest of just about every big name in the business.

While all eyes were focused on names like Land Securities, Hammerson and London and Edinburgh Trust, Markham and his Tokyo based partners put down around £43m to walk away with the site and the chance to develop a £150m office centre.

The bid was not the highest — at least one contestant is rumoured to have offered over £70m — but there were no strings attached to the Anglo-Japanese offer and the Post Office, represented by Weatherall Green & Smith, picked up the money.

Within hours of the result of the closely watched tender being announced, the atmosphere was redolent with the unmistakable odour our sour grapes. The job was enormously complicated, the site was off-pitch and, to make it work, Markham would have to charge impossibly high rents.

He accepts there will be problems in carrying out his project behind the unexceptional and unlisted farade which the City nevertheless wants retained, not least when it comes to the enormous and wildly wasteful storey heights within the existing buildiog. But, he adds confidenlly, "We have cracked it."

The 47-year-old developer who, since he walked out on the fashion business over 20 years ago has put up more than 100 buildings around Europe, has made a speciality of tackling the properties which others have failed to reach.

"We have traditionally sought out development opportunities which are largely ignored by our competitors, either because the schemes are too complicated or because they lack the necessary vision. The funds, in particular, will always rather pay more than take a risk. *I take the risk and sell* on. That way, everyone seems happy."

The youngest president of tha Incorporated Society of Valuers and Auctioneers and current president of the British Council of Shopping Centres is amused at suggestions that he canoot possibly make much money out of the project, which is likely to provide around 250,000 sq ft of office space on big floors. "No one has even seen our *plans yet. Let's just say that* I never have, and never will, go into any scheme on projected rents and St Martins will be no different. I work on established facts."

Markham's time in the property industry has seen him in several different guises. After quitting the fashion industry, he worked temporarily as a mortgage broker, fixing finance for developers during the early *1960's credit squeeze*. He joined a small, West End estata agency and in 1963 went to Chaddesley Investments, where he stayed until 1969, when Greycoat reversed into it.

Markham then formed a joint company *with* Truscon, the building contractor part-owned by Shell. In 1970, he bought out the other interests and teamed up with Hill Samuel Life Assurance to form Reamhurst, which began developing extensively in Europe. By 1975, there was a £37m portfolio in tow but Hill Samuel, having gone through an abortive merger with Slater Walker, bought out Markham for cash, making him one of the few property men to get out of Europe with money in his pocket.

It was enough to enable him to set up Glengate, his present company, which he runs with Stephen Beaumont, a former Knight Frank and Rutley man. The team could hardly grow any smaller but it has clearly impressed those who are not easily impressed.

Markham's partnership with Kumagai Gumi, which in Japan has suddenly overtaken other, *major competitors* to emerge as the contractor with the fattest order books, began early this year when Markham made a play for the vacant Bourne and Hollingworth store in London's Oxford Street.

"Potential investors were long on interest and short on commitment and then someone introduced me to Kumagai. Within three days, I was in Tokyo and after a week we had *signed heads of agreement.*"

As for St Martins, the project gives Kumagai another chance to try out its hand at development in the UK and it will be principally acting as management contractor. The partners are seeking institutional funding but, conscious of the growing reluctance among investors to swallow such big chunks of real estate, the scheme's design will allow ultimate ownership to be split. There is also a chance that the Japanese might buy the completed investment.

Kumagai Gumi has been pursuing an aggressive overseas construction and investment programme, particularly in Australia, south east Asia and the west coast of the US. In Peking, it is currently building a shopping centre and a hotel. Kumagai's total sales are expected to reach $3bn this year and overseas contracting now accounts for over 40 per cent of group revenue.

As for future joint ventures between Glengate's two-man band and ona of the world's largest international contractors, Markham says the two partners have established a mutual trust and understanding. He is confident other projects will follow.

Bruising broadside for Aztec West

THOSE who say that Aztec West, the Electricity Supply Nominees-funded business park north of Bristol, has failed miserably to become the "milestone" development promised when it was launched in 1981, will find some support for their views in a report out this week from Knight Frank & Rutley.

Aztec was heralded as the most advanced office and industrial park in the UK, offering up to 2m sq ft of ultra-modern accommodation. Joint agents Richard Ellis and Lalonde Brothers and Parham, then said negotiations were already in hand for 840,000 sq ft of floorspace. Four years later, projects developed or anounced account for between 500,000-600,000 sq ft.

Now, in a review of the Bristol area, agents KFR say that the big majority of space so far developed or underway on the 170-acre site, conceived as a high-tech park, actually falls into industrial-warehouse or office accommodation.

The agents add: "The problems of a hybrid solution are demonstrated at Aztec West. Intended for the multi-use sector, but with insufficient demand emerging, the development is now mainly catering for warehousing and offices. Warehousing does not support the value of the office environment, neither does it require the same quality of environment. As a pioneering development, Aztec has been able to absorb both types of demand but this may not be the case once other major sites north of Bristol come on stream."

The sideswipe brought swift reaction from Ellis, which admits that progress on the project is "rather slower than we would have liked." A spokesman said: "It was conceived as a mixed-use business park, not a high-tech development. The concept is correct, development is gathering momentum and we are happy with progress."

● Belgium's largest issue of property bonds, for the acquisition of the Glaverbel building in Brussels, has just been successfully concluded. Compagnie Immobiliere de Belgique, Hillier Parker's European associate, together with Groupe Bruxelles Lambert arranged the bond issue on the 355,00 sq ft office building in Chaussee de la Hulpe. The bonds, amounting to over BFr 1.1m, were entirely subscribed by Generale de Banque and Banque Bruxelles Lambert and all sold in one day to 113,300 investors. The banks have asked for them to be quoted on the Brussels stock exchange.

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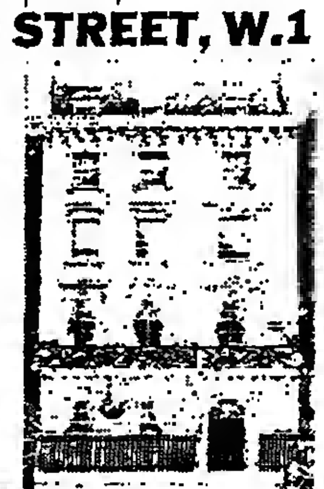

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IN THE MATTER OF KELDANE LIMITED AND IN THE MATTER OF THE COMPANIES ACT 1985
NOTICE IS HEREBY GIVEN that the creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 14th day of January 1986 to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned
Brian Mills,
of 1 Wardrobe Place,
Carter Lane,
London EC4V 5AJ
the Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.
Dated this 3rd day of December 1985.
BRIAN MILLS, Liquidator

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THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LOREN

FORD TRUCKS

Committed in its own way

Kenneth Gooding explains why continuation of the US group's European operations is likely to be dependent upon change

THERE IS a widely held view in the motor industry that Ford of Europe will quit the heavy truck business and give up producing anything larger than a Transit van.

The recent news that the organisation is in talks with Fiat's heavy commercial vehicle subsidiary, Iveco, second-largest of the West European truck producers, has only added to the speculation and spread gloom at Langley, Bucks, in the UK where all Ford's heavy truck assembly is located.

Two years ago Ford stopped making the heavyweight Transcontinental, a move which involved the traumatic closure of its truck plant at Amsterdam in the Netherlands, and it has also given up output of the "A" series vehicles aimed at the high volume 6.5-tonne sector of the UK market.

Even though in a good year Ford sold 5,000 of the "A" series trucks, the volume involved did not make them a good business proposition either for Ford or its customers.

A new medium and heavy truck *range*, the Cargo, launched in 1981, has done little to improve Ford's penetration of Continental markets, which remains very low.

The Cargo got off to a poor start in the UK, Ford's major market, because the company admits it tried to introduce too many versions too quickly, and ultimately *recalled* all those sold in the first year to "update" them. Critics say that was really a matter of putting right many niggling faults.

As a result, Ford's share of the West European heavy truck market (over 3.5 tonnes gross weight) has slipped from 8 per cent in 1980 to 5.2 per cent by the end of *August* this year. And its output of trucks over six tonnes gross weight fell from 36,800 in 1980 to 16,100 last year.

However, Mike Hammes, Ford of Europe's vice president, truck operations, insists that Ford is committed to the heavy truck business. But he also says substantial changes must be made.

"The heavy truck operations are an important part of our total commercial vehicle business, a business that has been super-successful for us in terms of market share and profits.

"But we are not committed to heavy trucks in terms of doing it the way it has been done in the past 10 or 15 years. That is not the definition of our commitment. We are not committed to a particular way of being in the heavy truck business.

"We shall leave no stone unturned to keep the heavy truck part of our operations viable and in that sense there are no sacred cows that we are not willing to consider. From both the practical business point of view and from the human point of view we have an obligation to keep our total business viable and growing.

"The heavy truck segment *of Europe's commercial vehicle* industry is not very viable for any manufacturer right now and things are going to have to change. In that sense we are looking at a whole variety of things we might do and we will be willing to do them."

Ford started dealing with its sacred cows earlier this year when it *announced* that it will gradually phase out production of its own truck axles at the Langley plant and by mid-1987 replace them with those made by an outside supplier, Rockwell CVC, which has a new *£100m factory in southern Italy.*

Hammes points out this was a highly-significant change for Ford *which, until now,* has been an integrated truck producer, making most of its own engines, transmissions and axles.

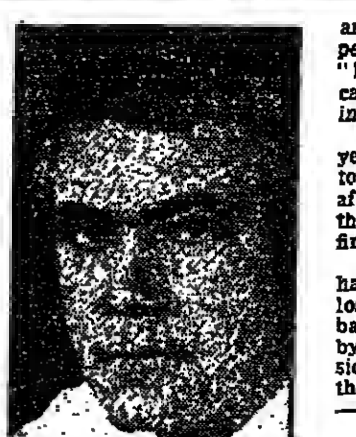
He says Ford was working with very old equipment to produce axles at Langley and would have had to spend about £10m to replace it. But neither *did the company have a modern* axle design.

Ford of Europe was able to *benefit from* the work it *did* with its US and Brazilian sister companies to develop the so-called "world truck," based on the Cargo design and now being produced in Brazil from panels sent from Britain and engines developed from those used by Ford in North America for agricultural tractors.

As part of the process, Ford searched for the best worldwide sources of key components and Rockwell was *chosen* to supply axles for the Brazilian truck, called the Cargo-Ram.

That led to the decision to use Italian-built Rockwell axles in the European Cargo range.

Hammes says: "It is true there will be fewer jobs out there [at Langley] than there were before but in order to keep the whole business as viable and functional as possible it is necessary to move in and out of areas of the business, like axles manufacturing."



Mike Hammes: leaving no stone unturned

Ford's Cargo: got off to a poor start in the UK

He estimated Ford will save about $5m to $6m a year in fixed costs from the change — "and that *is* not an insignificant number in our size of business." (Ford of Europe's commercial vehicle operations turned over about $1.3bn last year.)

Hammes makes it clear that the discussions with Iveco cover similar ground to the Rockwell arrangement — although he refuses to be drawn into giving any details.

Apart from truck cabs and chassis at Langley, Ford produces some engines at Dagenham, Essex, differentials and some transmission components at Swansea, *south* Wales, electrical components at Enfield, north London, and some brake components at Leamington Spa, Warwickshire.

Hammes reckons Ford will not be alone in making changes. Five years have gone by since it became apparent to the Western European truck industry that the peak demand of 1979 would never again return and that from then on growth would be very slow at the heavy end of the *business.*

Hammes does not expect to see many truck assembly plant *closures or companies giving* up the production of their own truck diesel engines. "To give really attractive economies of scale and to generate sufficient volume to absorb development costs, we European manufacturers must be ready increasingly to co-operate, either directly, company to company, or through a *third* party, ie, a vendor. That is unless companies in Europe are willing to *go on* losing *$500m a year*—which is what they are losing."

Outside suppliers will be *required* to maintain product development and generate a sufficient industry-wide volume base for a *fair* proportion of the Eurpean industry in future, he suggests—particularly in the production of gearboxes, axles and low-volume engines, "to extend the versatility of manufacturers' basic ranges."

Those companies devoted to the philosophy that they must be vertically integrated to produce premium trucks—Daimler-Benz, the Mercedes group, Volvo and Scania — cannot be ex*pected* to *join in the process* — "but that does not mean they can financially justify develop*ing all their own components.*"

Hammes says Ford was two years ahead of its rivals and took action to reduce its costs after the market collapsed and this is now showing up in the financial results.

The heavy truck operations have gone from very heavy losses — although nothing as bad as the £62m loss suffered by General Motors' Bedford subsidiary in the UK last year or the £61m loss by BL's Leyland — to close to breakeven.

"Breakeven is not enough. We must generate enough profit to renew our product range and our facilities. Not one of our *competitors in Europe is close* to that."

Hammes also makes the point that Ford will not withdraw to the UK, where it has all its truck production operations and is heavy truck market leader.

"We are the only British manufacturer of heavy trucks that has a significant *Conti*nental business left. We sell one-third of our production on the Continent and that is very important to us from a business viability point of view."

Hammes predicts that Ford's share of the heavy truck market in Western Europe will improve this year, from about 5.4 per cent in 1984 to 5.5 per cent, reflecting the progress it is making on the Continent. "The Cargo is not setting the world on fire but it is making slow, positive, steady growth."

Many of Ford's difficulties in Continental markets can be traced to exchange rates and the strength of the pound, Hammes says. Between January and August this year the performance of the pound cost Ford $2,000 in competitiveness on a 7.5 tonne cargo compared with equivalent vehicles from West *Germany* or France, he maintains.

"In the UK that helped the importers become stronger and on the Continent prevented us from gaining our natural level of sales."

Hammes insists: "I have a fundamental belief that you cannot be a long-term player in the heavy truck business if all your production and sales are only in Britain. You have got to have a broader base than that, not just for volume but to stay up in technology too.

"That is why I have always felt very strongly that the Continental base of ours is significant, not only from a profit contribution point of view but because if we have to fight Mercedes in West Germany and Renault in France, that keeps us on our toes technology-wise."

INNOVATION

Why a systematic approac[h] can promote fresh ideas

The process can be broken down into: invention, generation, and incubation. Peter Marsh reports

HOW DO companies innovate? Too many commercial concerns, suggests a new study, leave this area of activity to chance and fail to adapt reasonably well-established management techniques to improve their performance in introducing new ideas.

The study, by Arthur D. Little, the US management consultancy, investigated 28 companies identified for their positive approach to innovation. From this research the consultants *came* up with about 30 routes that can help companies improve their techniques on adapting to new concepts.

According to Michael Younger, managing director of Arthur D. Little's UK division, the techniques are often not much more than common sense. But companies tend to shy away from a systematic approach to innovation, believing that conventional business organisation is not compatible with innovation.

However, Younger insists: "You can manage it and you can grow it." He says internal policies on innovation are essential if companies are to react quickly, for instance to take up fresh ideas from their own research departments or to adapt to outside events like changes in the regulatory climate.

The 28 enterprises studied by the consultants include names suchr as 3M, Advanced Semiconductor Devices and Merrill Lynch of the US; Asahi Chemical, Sumitomo and Toray of Japan; Nixdorf and Bosch of West Germany; France's Club Mediterranee and Elf Aquitaine and Sinclair Research of Britain. The company backed up this investigation with a survey of attitudes towards innovation in industry as a whole.

The overall process of innovation can, says Arthur D. Little, be broken down to three main phases: invention, the generation of ideas; incubation, the practical development of the idea; and introduction, the implementation of a new concept either to the external market or to an internal corporate unit.

Some of the ways identified by the consultants to help innovation are as follows:

● **Improve communications.** Companies should break down barriers to communication, for instance by encouraging employees to bypass their immediate superiors to talk to a more senior person about a pressing problem. MCI, the US telecommunications company, incorporates this approach into its *management policies* by, for example, inviting junior staff members to official company dinners.

● **Hire mavericks.** A deliberate approach to employing unconventional people with innovative ideas may sometimes be needed. Large numbers of mavericks are found in *organisations* with *a good* record of innovation such as Apple, 3M and Citicorp. The degree to which this approach is followed, though, will depend on the company's own style and may be totally inappropriate in some enterprises.

● **Build a diverse talent base.** Many innovations arise from lateral thinking, says Arthur D. Little. Fresh lines of thought may arise when people from different backgrounds work together.

● **Rotate managers.** People look at ideas with a fresh vantage point if their jobs change relatively often. Epson, the Japanese printer company, swaps the jobs of senior employees *every six* months to keep them on their toes.

● **Be realistic about timescales.** Many ideas take years to *take* effect, either in the market place or inside a corporation. Chief executives must, therefore, curb their impatience about wanting to see quick results.

● **Provide more time for innovation.** Top managers in successful companies spend at least a day a week on management of new ideas. More than 90 per cent say this time is increasing. Moreover, more junior employees should be given the opportunities to th[…] unorthodox concepts. In s[…] companies, research employ[…] are told to spend a fifth of t[…] working time on unlikely id[…]

● **Foster exchanges of infor[…]tion.** Bosch, the West Ger[…] producer of hand tools, ha[…] systematic approach for gat[…]ing information from custon[…] about how its tools are u[…] Innovative companies a[…] cumbersome memo-ridden […]cedures and encourage a […]tinual exchange of informa[…] at all levels between dep[…]ments and customers.

● **Search for ideas thro[…] specific methods.** These can t[…] the form of making acquisiti[…] the promotion of "spin-o[…] from the parent company, li[…] with university departments[…] with special departme[…] charged with thinking ab[…] innovation. Asea of Sweden […] Elf Aquitaine have, for instan[…] set up innovation divisions[…] act as a seed bed for new id[…]

● **Appoint an "ideas cz[…]** Perstorp, the Swedish chem[…] company, has, for instan[…] appointed such a person wh[…] job is to spot new ideas […] help their promoters to win […] support of superiors.

● **Motivate and rew[…] innovators.** Rises in sala[…] may not always be appropri[…] Some innovators simply w[…] to be recognised, with not m[…] more than a letter or teleph[…] call of thanks from the ch[…]man. Others can be reward[…] deliberately by not giving th[…] extra administrative respo[…]bilities but by getting […] chance to start a new, excit[…] project. This, *in US man*[…]ment jargon, is called […] "pinball reward"—the pr[…] after winning a certain num[…] of points, is not so much a c[…] reward, but the chance to p[…] the game again.

● **Measure innovation.** F[…] companies try to track […] course of innovative ideas. […] such techniques should be tr[…] not only to provide insight i[…] the most successful employ[…] in this area but to *raise* […] profile of innovative activit[…] in general. Milestones a[…] targets can help. For examp[…] every division at 3M is giv[…] the target that 25 per cent […] sales in a given year must co[…] from products introduced to t[…] past five years.

Company Notices

CHARTER CONSOLIDATED P.L.C.

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the company will be held at 40 Holborn Viaduct, London EC1P 1AJ, on Tuesday 7 January 1986 at 9.00 a.m. for the purposes of:

(i) receiving a copy of a letter dated 11 December 1985 from Coopers & Lybrand, chartered accountants, in the form required under section 271(4) of the Companies Act 1985, which is to be laid before the meeting;

(ii) considering and, if thought fit, passing the following resolution which will be proposed as an ordinary resolution:

"That:

(1) the payment on 16 September 1985 of the final dividend on the company's shares in respect of the year ended 31 March 1985 be and it is hereby approved and confirmed to the intent that henceforward the same be treated for all purposes as having been properly and lawfully made on that date:

(2) any claims which the company may have against the recipients thereof and/or the directors arising out of such payment be and they are hereby released and for the purpose of giving effect to such release the directors be and they are hereby authorized to execute on behalf of the company a deed of release in the form of the draft produced to this meeting and signed for the purposes of identification b ythe chairman."

By order of the board
E. G. RUDLAND
Secretary

Registered Office:
40 Holborn Viaduct
London EC1P 1AJ
12 December 1985

Notes:

(1) A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the company. To be valid the form of proxy must reach the company's registrars in the United Kingdom not less than 48 hours before the meeting.

(2) Holders of share warrants to bearer who wish to attend in person or by proxy or to vote at the meeting must comply with the relevant conditions governing share warrants to bearer, copies of which are available from the registered office of the company and the office of its registrars in the United Kingdom and from the company's overseas paying agents.

(3) A copy of the draft deed of release will be available for inspection by members at the offices of Linklaters & Paines, Barrington House, 59/67 Gresham Street, London EC2V 7JA, at all times during normal business hours from the date hereof until the conclusion of the meeting, and at the meeting.

Copies of the explanatory circular sent to shareholders containing the notice of extraordinary notice of general meeting and the text of the letter from Coopers & Lybrand referred to above can be obtained on application to the Company Secretary at the registered office of the company.

De Beers Consolidated Mines Limited

Incorporated in the Republic of South Africa
Registration No. 11/00007/06

NOTICE TO HOLDERS OF PREFERENCE SHARE WARRANTS TO BEARER
PAYMENT OF COUPON NO. 153

With reference to the notice of declaration of dividend advertised in the Press on 27th November, 1985, the following information is published for holders of share warrants to bearer.

The dividend of one rand (R1.00) per share was declared in South African currency. South African non-resident shareholders' tax at 11.682 cents per share will be deducted from the dividend payable in respect of all share warrant coupons giving a net dividend of 88.318 cents per share.

The dividend on bearer shares will be paid on or after 4th February, 1986 against surrender of coupon No. 153 detached from share warrants to bearer as under:—

(a) At the offices of the following continental paying agents:

L'Européenne de Banque, 21 rue Laffitte, 75428 Paris.
Banque Bruxelles Lambert, 24 Avenue Marnix, 1050 Brussels.
Générale de Banque, 3 Montagne du Parc, 1000 Brussels.
Credit Suisse, Paradeplatz 8, 8021 Zurich.
Union Bank of Switzerland, Bahnhofstrasse 45, 8021 Zurich.
Swiss Bank Corporation, 1 Aeschenvorstadt, 4002 Basle.
Banque Internationale a Luxembourg S.A., 2 Boulevard Royal, Luxembourg.

Payments in respect of coupons lodged at the offices of a continental paying agent will be made in South African currency to an authorised dealer in exchange in the Republic of South Africa nominated by the continental paying agent. Instructions regarding disposal of the proceeds of the payment so made can only be given to such authorised dealer by the continental paying agent concerned.

(b) At the Securities Department of Hill Samuel & Co. Limited, 45 Beech Street, London, EC2P 2LX. Unless persons depositing coupons at such office request payment in rand to an address in the Republic of South Africa, payment will be made in United Kingdom currency either:

(i) in respect of coupons lodged on or prior to 28th January, 1986, at the United Kingdom currency equivalent of the rand currency value of their dividend on 23rd December, 1985; or

(ii) in respect of coupons lodged after 28th January, 1986, at the prevailing rate of exchange on the day the proceeds are remitted, through an authorised dealer in exchange in Johannesburg to the Securities Department of Hill Samuel & Co. Limited.

Coupons must be left for at least four clear days for examination and may be presented any weekday (Saturday excepted) between the hours of 10.00 a.m. and 3.00 p.m.

United Kingdom income tax will be deducted from payments to any person in the United Kingdom in respect of coupons deposited at the Securities Department of Hill Samuel & Co. Limited, unless such coupons are accompanied by Inland Revenue non-residence declaration forms. Where such deduction is made, the net amount of the dividend will be the United Kingdom currency equivalent of 70 cents per share arrived at as follows:

	South African Currency Cents Per Share
Amount of dividend declared	100.000
Less: South African non-resident shareholders' tax at 11.682%	11.682
	88.318
Less: U.K. income tax at 18.318% of the gross amount of the dividend of 100 cents	18.318
	70.000

For and on behalf of
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
London Secretaries
J. C. GREENSMITH

London Office:
40 Holborn Viaduct
London EC1P 1AJ

12th December, 1985

NOTE:
The Company has been requested by the Commissioners of Inland Revenue to state:
Under the double tax agreement between the United Kingdom and the Republic of South Africa, the South African non-resident shareholders' tax applicable to the dividend is allowable as a credit against the United Kingdom tax payable in respect of the dividend. The deduction of tax at the reduced rate of 18.318% instead of the basic rate of 30% represents an allowance of credit at the rate of 11.682%.

De Beers
De Beers Consolidated Mines Limited

BRAZILIAN STERLING LOANS: DECREE LAW NO: 6019
STATE OF PERNAMBUCO 5% LOAN 1905

NOTICE IS HEREBY GIVEN that for the Sinking Fund of the above Loan for January 1986 bonds for a nominal amount of £4,320 have been drawn for redemption.

The following are the numbers of the bonds drawn for redemption at par on 1st January 1986, after which date all interest thereon will cease.

212 BONDS OF £20 NOMINAL VALUE EACH = £4,320

352	715	870	1337	1815	2450	2349	3310	3678	4306
4604	4856	5018	5049	5863	6061	6141	6257	6758	8161
7144	7164	7597	7687	7751	7836	8058	8170	8391	8401
8478	8627	8633	8685	8931	9599	9964	10045	10202	10248
10514	10741	10918	11328	11327	11848	11700	11952	12013	12277
12823	12824	13445	13869	14361	14505	14612	14721	14834	14943
15886	16002	16272	18286	16302	17211	17225	17505	18002	18068
18293	18454	18616	18673	18880	19111	19642	19645	20344	20428
20500	20760	21248	21467	21752	22342	22293	22709	22132	23123
23289	23430	23510	23611	23782	24183	24468	24682	25201	25256
25400	25445	25500	26199	26307	26809	27012	27308	27509	27804
28080	28256	28617	28915	29118	29312	29410	29863	29909	29999
30764	30844	30900	31046	31298	31501	33090	32273	32868	32934
33048	33078	33098	33622	33633	33640	33651	33689	34210	30558
34787	34949	35206	35800	35831	36046	36134	36182	36399	25941
37004	37056	37373	37468	37648	38120	38300	38803	38901	38918
39805	39027	39444	39834	39811	40276	50378	40327	40866	41044
41400	41444	41803	41901	41948	41963	42346	42617	43233	43579
43795	43944	44833	44943	45452	45645	45688	45998	46461	46462
46676	46681	46856	47186	47244	47245	47347	47605	47699	47835
48158	48162	48167	48173	48322	48515	48580	48848	48903	49000
49437	49553	49829	49913	49958	49975				

The above bonds should be presented for repayment to Lloyds Bank Plc, Branches Stock Office, 111 Old Broad Street, London EC2N 1AU, listed on the appropriate forms and must bear all coupons subsequent to moneys 1st January 1986 otherwise the amount of the missing coupons will be deducted from the principal.

ECCO

FINANCIAL DISINVESTMENT IN GREAT BRITAIN

Through purchases on the London Stock Exchange, ECCO S.A. became a major shareholder of BROOK STREET BUREAU, one of Britain's leading temporary staff and employment agencies.

When BLUE ARROW made a bid for BROOK STREET shares, ECCO S.A. sold most of its shares on the Stock Exchange at prices higher than BLUE ARROW's cash offer.

The sale of 1,175,000 BROOK STREET shares generated in November gross pre-tax gains for ECCO S.A. of FF 18 million, or FF 12 million net of tax.

In addition, ECCO S.A. exchanged 34,000 BROOK STREET shares for BLUE ARROW shares.

The operations of ECCO EMPLOYMENT AGENCY LTD UK have been at a satisfactory level throughout 1985. The company's unaudited pre-tax income at September 30, 1985 amounted to £140,000 for the first nine-months.

Paris, November 29, 1985.

ALGERIE - الجزائر

PEOPLE'S DEMOCRATIC REPUBLIC OF ALGERIA

MINISTRY OF CULTURE AND TOURISM

INTERNATIONAL TOURIST CHAINS
Promoting and Investing in Tourism

A CHAIN OF HOTELS AND TRAVELLERS' REFUGE HOSTELS is to be built on the fabulous sites of the HOGGAR and TASSILI

PROJECT DESCRIPTION

(Conceptual studies already completed)

The following are to be built:

★ In the Hoggar:
— 4 travellers' refuge hostels, each with 15 bedrooms, a dining room and a lounge
— 1 campsite

★ On the Tassili plateau:
— 2 hotels, each with 120 beds, at ILLIZI and DJANET
— 4 travellers' refuge hostels

PROJECT IMPLEMENTATION

There are two possible forms:

★ Mixed investment company, with 49% of the capital held by the foreign partner, with the following principal benefits:
— 3 years' exemption from profits tax ("B.I.C."), 50% reduction for the 4th year and 25% for the 5th year
— reduced taxation of 20% on profits reinvested

★ Direct investment, on the basis of:
— lease on the site land (term up to 25 years)
— payment to Algeria of royalties for each tourist client handled

MANAGEMENT—MARKETING

In both cases, the management and marketing are to be provided by the foreign partner, who may repatriate the full amount of his remuneration.

The existing hotels at Tamanrasset and Ain-Salah are to be incorporated in the chain. Information meetings will be organised, with presentations and slides, and also site visits.

FOR FURTHER INFORMATION CONTACT:

MINISTRY OF CULTURE AND TOURISM
DIRECTION DE L'AMENAGEMENT TOURISTIQUE ET DU THERMALISME
Palais de la Culture — ALGIERS

anep/alger

THE ARTS

Arts Week

F	S	Su	M	Tu	W	Th
13	14	15	16	17	18	16

Theatre

LONDON

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscrimionte rushing around. Disneyland, Star Wars and Cats are all influences. Pasticha score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

42nd Street (Drury Lane): No British equivalant has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. American Clare Leach is a real find as Peggy Sawyer, and Margaret Courtenay has a field day (636 8108).

Me and My Girl (Adelphi): Sleek, efficient and enjoyable revival of Britain's biggest war-time musical hit with Robert Lindsay in the Lupino Lane role emerging as the best new musical star since Michael Crawford. (836 7611).

Barnum (Victoria Palace): Michael Crawford returns to London with his breathtaking performance as the circus impresario, adding one or two new tricks in a likeable meringue of a musical. (834 1317, credit cards 828 4735).

Pravda (Olivier): Entertaining epic new play by David Hare and Howard Brenton for the National Theatre in which an unscrupulous South African magnate acquires Britain's most prestigious newspaper. A Jonsonian satire on the grand scale with an irresistible performance by Anthony Hopkins as the colonial who penetrates the Establishment while a nation dithers. (928 2252).

Guys and Dolls (Prince of Wales): The 1982 National Theatre production has arrived in the West End, if anything improved by the new casting of Lulu as Miss Adelaide and the notably well sung black Sky Masterson of Clarke Peters. Richard Eyre's production and John Gunter's affectionately lavish designs complement this most joyful and literate of musicals, a fitting tribute to the recently deceased co-librettist Abe Burrows (930 8681).

Torch Song Trilogy (Albery): Antony *Sher plays Harvey Fierstein's four*-hour triptych of the life and loves of a drag queen fighting for emotional and domestic stability. Truthful playing has the effect of cruelly exposing Fierstein's tackily uneven writing. (838 3878).

Gigi (Lyric): Unconvincing stage revival of Lerner and Loewa's film follow-up to My Fair Lady. Beryl Reid rising inimitably above the material, Jean-Pierre Aumont and Sian Phillips lending more conventional support. John Dexter directs, Jocelyn Herbert designs. (437 3686).

Interpreters (Queen's): Love among the diplomats, according to Ronald Harwood has a superb role for the matchless Maggie Smith renewing a cross-cultural affair with Edward Fox in the shadow of a summit between The Soviet Union and Britain. Fluent direction by Peter Yates of the West End's best new play of the year. (734 1166).

Lennon (Astoria): A not too critical celebration of the life and music of John Lennon that is enjoyable especially for the musical resourcefulness of the cast and Mark McGann's Lennon look-and-sound-alike. (734 4287).

Are You Lonesome Tonight? (Phoenix): More musical hagiography with Alan Bleasdale's Elvis Presley show using flashback and excellent live recreations of the rock and roll hits to explain how Martin Shaw's magnificently wrecked and flabby King in crushed velvet jumpsuit has reached this pretty pass. Exploitative, but not strictly for tourists. (836 2294).

Les Misérables (Palace): Notably well sung and spectacularly produced rock opera from the Nickleby and Cats team of Trevor Nunn, designer John Napier and lighting man David Hersey, Colm Wilkinson superb as Jean Valjean. A melodramatic distillation of Hugo, and none the worse for that. The French score is rousingly melodic, with serviceable new lyrics from Herbert Kretzmer. (437 6834)

Camille (Comedy): Pam Gems's rewrite gives Marguerite Gautier a child for whose future security she exchanges her own frail health and love. Don Daniels's studio RSC productioo does not transfer that well, but Frances Barber is an actress to watch. More coughing on stage than in the stalls, for a change. (930 2578).

NEW YORK

As Is (Lyceum): The first play about AIDS makes gestures toward the whole community the disease affects and focuses effectively on the victim and his protective lover; but this Circle Rep production also has distracting artistic touches to patch over the play's lack of development once the disease is diagnosed. (239 6200).

Cats (Winter Gardan): Still a sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

Brighton Beach Memoirs (46th St): The first instalment of Neil Simon's mix of memories and jokes focuses on a Depression-era Jewish household where young Eugene falls awkwardly in love with his cousin. (221 1211).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs. Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): In moving to Broadway, Herb Gardner's touching, funny and invigorating play about two oldsters retains its stars, Judd Hirsch and Cleavon Little, who almost conquer the world when they think they are just bickering with each other. (239 6200).

Big River (*O'Neill*): *Roger Miller's* music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

WASHINGTON

Woman and Water (Arena): The latest instalment in playwright John Guare's American Civil War tetralogy follows further adventures of Lydie Breeze in mid-19th-century Nantucket. Ends Jan 5. (488 3300).

Aren't We All (Opera House): The play is nothing compared with the performances of Rex Harrison and Claudette Colbert, who cavort delightfully in an old-fashioned drawing-room comedy now making its rounds across America. Ends Jan 5. (254 3770).

A Seagull (Eisenhower): Colleen Dewhurst stars in Peter Sellars' latest production for the American National Theater, which is bound to be imaginative and untraditional in a tradition Sellars is establishing on his own. Ends Jan 11. (254 3870).

CHICAGO

King Lear (Goodman): The Stratford Festival of Ontario production puts Lear in a rustic setting that looks much like the North American frontier. Ends Dec 22 (443 3810).

Music

NEW YORK

New York Philharmonic (Avery Fisher Hall): Charles Dutoit conducting, Glenn Dicterow violin. Copland, Barber, Moussorgsky-Ravel (Tue); Charles Dutoit conducting, Andras Schiff piano. Mozart, Dohnany, Honegger, Ravel (Thur). Lincoln Center (874 2424).

WASHINGTON

National Symphony (Concert Hall): Richard Westenburg conducting with Oratorio Society of Washington. All Händel programme (Tue). Kennedy Center (254 3776).

Chamber Music Society of Lincoln Center (Concert Hall): With Emerson String Quartet. Beethoven, Bach, Brahms, Jarrett (Wed). (254 3776).

CHICAGO

Chicago Symphony (Orchestra Hall): Erich Leinsdorf conducting, Mechthild Gessendorf soprano, Barbara Hendricks soprano, Ann Murray, mezzo-soprano. J. Strauss, E. Strauss, R. Strauss (Thur). (435 8122).

BRUSSELS

Palais des Beaux Arts: Belgian National Orchestra conducted by Mendi Rodon with Emmanuel Ax, piano. Mozart, Schubert, Schönberg (Thur). (512 4045).

Atelier: Margaret Fincham, soprano and Philippe Gerard, piano (Tue). (511 2065).

NETHERLANDS

Amsterdam, Concertgebouw. Anton Kersjas conducting the Netherlands Philharmonic, with Daniel Wayenberg, piano. Haydn, Liszt, Elgar (Mon, Tue). The Concertgebouw Orchestra conducted by Bernard Haitink, with Victor Liberman, violin. Shostakovich, Bruckner (Wed, Thur). Recital Hall: Wouter Möller, cello. Bach (Mon). Emmy Verhey, violin, and Youri Egorov, piano. Schubert, Bartok, Beethoven (Tue). (71 83 45).

Eindhoven, Globe Theetre. The Fontenay Trio. Mozart, Dvořák, Tchaikovsky (Wed). (11 11 22).

Nijmegen, Vereeniging. Anton Kersjes conducting the Netherlands Philharmonic, with Daniel Wayenberg, piano. Haydn, Liszt, Elgar (Thur). (22 11 00).

ITALY

Milan: Sala Verdi del Conservatorio: Mahler's Ninth Symphony conducted by Gary Bertini (Orchestra of the RAI, Milan). (Thur). (701 755).

Florence: Teatro Comunale: Handel's Samson, conducted by Richard Norrington (Tue and Wed). (277 9236).

Rome: Basilica di S. Giovanni del Fiorentini: Händel overtures. (Thur). (655 952).

VIENNA

Bach trio. Musikverein Brahms Saal. (Mon and Wed).

Katia Ricciarelli, soprano, Albinoni, Bonporti. Händel, Pergolesi, Vivaldi. Konzerthaus Mozart Saal. (Mon).

Krystian Zimerman, piano, Bach, Mozart, Beethoven, Chopin, Szymanovsky. Musikverein. (Tue).

Clemencic Consort led by Rene Clemencic, Dall'Abaco, Torelli, Vivaldi, Tartini. Musikverein Brahms Saal (Thur).

Bach Christmas Oratorio with the Vienna Bach Soloists conducted by Ernst Wedam. Konzerthaus Mozart Saal. (Thur).

LONDON

Royal Philharmonic Orchestra, conducted by Kurt Masur with Ida Händel, violin. Weber, Tchaikovsky and Brahms. Royal Festival Hall (Tue). *(928 3191)*.

Royal Philharmonic Society: English Concert conducted by Trevor Pinnock with David Reichenberg, oboe. Bach, J. C. Bach, Boyce, and Händel. Queen Elizabeth Hall (Wed). (928 3191).

Bochmann String Quartet: Purcell, Tippett, Rawsthorne and Britten. Purcell Room (Wed). (928 3191).

Academy of St. Martin-in-the-Fields directed by Iona Brown, violin, with Nobuko Imai, viola. Mozart, Mendelssohn and Dvořák. Queen Elizabeth Hall (Thur).

Endymion Ensemble conducted by Oliver Knussen und John Whitfield with Sarah Leonard, soprano. Knussen. Purcell Room (Thur).

PARIS

Nouvel Orchestre Philharmonique conducted by Antonello Anne Queffelec, piano: Fauré, Debussy, Bizet (Mon). Théâtre Champs Elysées (4723 47 77).

Jane Rhodes, mezzo-soprano, Valerie Chevallier, soprano, Philippe Tambourini, piano, Händel, Mozart, Massenet (6.30pm). Olivia Stapp, soprano. Timothy Noble, baritone and orchestra: Tosca, act 2, operatic arias (8.30pm). Both Monday, TMP-Chatelet (4233 0000).

L'Ensemble Orchestral de Paris conducted by Erich Bergel: Bach-Art of Fugue (Tue). Salle Gaveau (4563 2030).

Orchestre de Paris conducted by Daniel Barenboim with Margaret Price, Nadine Denize and the Paris Orchestra Choir conducted by Arthur Oldham: Beethoven Missa Solemnis (Thur). Salle Pleyel (4561 0630).

SPAIN

Madrid, Midday concert: Piano recital by Marie Jesus Garzon (Mon); Emmanuel Ferrer, piano. Ravel. Fundacion Juan March, Castello 77. (Wed). (435 42 40)

Opera and Ballet

VIENNA

Staatsoper: The Barbier of Sevilla conducted by Rabenstein; Madame Butterfly; Ariadne Auf Naxos (5324/2655).

Volksoper: Martha; Der Opernball; Die Fledermaus; My Fair Lady; Hänsel und Gretel (5324/2657).

NETHERLANDS

The Netherlands Opera production of Britten's Turn Of The Screw (in English, directed by Rhoda Levine and designed by John Conklin. The Netherlands Philharmonic under Bruce Ferden, with Helen Field as the governess, Alexander Oliver as Quint, James Lewis as Miles, and Emme Stuart as Flora. Mon in Amsterdam, Stadsschouwburg (24 23 11), Wed in Eindhoven, Stadsschouwburg (11 11 22).

Utrecht, Stadsschouwburg. The National Ballet with Sleeping Beauty, choreographed by Peter Wright after Petipa. Leads danced by Alexandra Radius/Henny Jurriëns, Jeanette Vondersaar/Alan Land, and Coleen Davis/Lindsay Fisher (Tue to Thur). (31 02 41).

ITALY

Rome: Teetro dell'Opera: A new production of Un Ballo in Maschera by Sylvano Bussotti, who also designed the scenery and costumes. Cast includes Luis Lima, Giacomo Aragall and Piero Visconti, the American soprano Leona Mitchell. The conductor is Gianluigi Gelmetti. (46 17 55).

Milan: Teatro alla Scala: Season opens with Luca Ronconi's new production of Aida conducted by Lorin Maazel. Luciano Pavarotti is in the role of Radames with scenery by Mauro Pagano. (80 91 26).

Turin: Teatro Regio: Richard Strauss's Il Cavaliere Della Rosa directed by Peter Busse and conducted by Milton Horvat. (54 80 00).

Trieste: Teatro Comunale Giuseppe Verdi: Dvořák's Russalka conducted by Gianfranco Masini and directed by Peter Werhahn. (63 19 48).

LONDON

Royal Opera, Covent Garden: La nozze de Figaro, in John Copley's ageing production, returns with its original conductor, Colin Davis, and a cast new to their roles in London – Yvonne Kenny, Anna Tomova-Sintov, Jonathan Summers, and Patrick Raftery. (House debut). (240 1066).

English National Opera, Coliseum: Händel's Julius Caesar, in the celebrated John Copley production that started the work's international new lease of life, has Charles Mackerras as conductor and Valerie Masterson as Cleopatra, but otherwise newcomers fill the cast list (Christopher Robson in tha title role, Jean Rigby as Cornelia, Sally Burgess as Sextus). Further performances of the new Don Giovanni, with William Shimell, Josephine Barstow, Felicity Lott, and Richard van Allan; and of the large-scale but not entirely idiomatic or stylish Orpheus in the Underworld, in the Gerald Scarfe sets. (836 3161).

Royal Opera House, Covent Garden: Giselle, and The Nutcracker.

Sadler's Wells, Rosebery Avenue: London Contemporary Dance Theatre. (278 8916).

WEST GERMANY

Berlin, Deutsche Oper: Tristan und Isolde has Katharina Ligendza and Spas Wenkoff as leads. Salome is steered to triumph by Lisbeth Balslev. Tosca, sung in Italian, features Pilar Lorengar, Corneliu Murgu and Ingvar Wixell. Fidelio, a Jean Pierre-Ponnelle production, stars Rene Kollo and Lisbeth Balslev. Hänsel und Gretel rounds off the week. (34 381).

Cologne, Opera: Premiering this week is Zar und Zimmermann, produced by Willy Decker with Hermann Prey, Martin Finke and Marianne Hirsti. Hänsel und Gretel has Andrea Andonian and Dagmar Knobel in the main parts. Also Madame Butterfly (20 761).

PARIS

Palais des Congres: Roland Petit and Marseilles' National Ballet present Puss in Boots animated by Roland Petit's unfailing imagination and enthusiasm (4266 2075) from 2pm-5pm). Ends Jan 5.

Opera: The Siege of Corinth alternates with Gounod's Romeo and Juliette conducted by Maximiano Valdes with Juliette sung by Ana-Maria Gonzales, Stefano by Marie-Christine Porta and Romeo by Alfredo Kraus. (4266 5022).

Calambre, 9 dancers, 3 musicians. Music by Arturo Rayon (6.30pm); Prokofiev's Cinderella with the Lyon Opera Ballet (8.45pm). Both works with Maguy Marin as choreographer. Théâtre de la Ville (4274 2277).

NEW YORK

Metropolitan Opera (Opera House): The week features L'Italiana in Algeri conducted by James Levine along with the repertory of Satie's ballet Parade, Poulenc's Les Mammeles de Tiresias and Ravel's L'Enfant et le Sortileges in an evening called Parade. Also the premiere production of Jean-Pierre Ponnelle's Le Nozze di Figaro conducted by James Levine with Kathleen Battle as Susanna and Ruggero Raimondi as Figaro. Lincoln Center (362 6000).

Dance Theater Workshop: The invitational Border Crossings celebrating the venue's 20th anniversary continues with Fresh Tracks, a choreographers' showcase (Tue). 219 W. 19th St (924 0077).

CHICAGO

Lyric Opera (Civic Opera House): The 31st season includes Otello starring Margaret Price, William Johns and Sherrill Milnes, conducted by Bruno Bartoletti and staged by Antonello Madau Diaz. Also Madame Butterfly with Anna Tomova-Sintov in the title role, conducted by Miguel Gomez-Martinez, as well as Samson, Anna Bolena, La Traviata, I Capuleti et I Montecchi, Die Meistersinger and La Rondine (332 2244).

Exhibitions

PARIS

The fame of Victor Hugo. To mark the 100th anniversary of the poet's death, some 1,000 documents – grand and less grand, including caricatures, posters, photographs, try to explain the extraordinary phenomenon of Hugo's glorification. Grand Palais, closed Tue. Ends Jan 6 (2615410) Petit Palais adds to Hugo's celebrations an exhibition Le Soleil d'Encre consisting of more than 300 of the artist's drawings and 200 manuscripts belonging to the Bibliothèque Nationale. Petit Palais, closed Mon (2651273).

Modern Masters of the Thyssen-Bornemisza collection: The 107 paintings from one of the world's most remarkable private collections constitute a panorama of modern art which is anything but didactic. German Expressionists were one of Baron Thyssen's first loves, quickly followed by Kandinsky and the Russian avant-garde. Manet, Renoir, Degas, Lautrec create another centre of interest, while Picasso's l'Homme à la Clarinette is one of the Baron's favourite acquisitions. Musée d'Art Moderne, 11 Avenue du Président Wilson (47238122 7). Closed Mon. Ends Jan 5.

Old and new: State acquisitions over the last five years. The 240 exhibits range from an Egyptian pleureuse deting from 1800 BC to contemporary artists and comprise paintings, sculpture, pieces of furniture and objects d'art. Among the chef-d'œuvres there is Vermeer's Astronomer, Frans Hals' Jester Playing The Lute as well as works by Manet, Monet and Seurat. Lucas Cranach's Melancholy comes from a provincial museum. Grand Palais. Ends Feb 3 (42603926)

WEST GERMANY

Berlin, Nationalgalerie: Art from 1945 to 1985. With 500 works by 220 artists the Berlin National Museum will display an extensive exhibition of post war art. Ends Jan 12.

Stuttgart, Neue Staatsgalerie: A retrospective of 81 works of the British artist Francis Bacon (born in 1909). The works, covering 40 years, are on loan from the Tate Gallery, London. Ends Jan 5.

Bremen, Kunsthalle am Wall 207: Klee drawings and paperworks from 1921 to 1933. Ends Jan 5.

Düsseldorf, Kunsthalla Grabbeplatz Joel Shapiro: First stop for an exhibition covering 80 abstract sculptures and paintings by the American artist in the last nine years. Ends Jan 19.

Essen, Museum Folkwang. Goethestrasse 41: To honour the German painter Lovis Corinth on the 60th anniversary of his death, the exhibition contains 90 paintings and 40 graphic illustrations. Ends Jan 12.

Munich: Haus der Kunst, Prinzregentenstr. 1: Karl Spitweg (1808–1885): 500 drawings and paintings with 70 cartoons from four artists, among them Daumier, Doré, Gavarni and Grandville. Ends Feb.

BRUSSELS

Spanish Netherlands 1500-1700: Renaissance and Baroque, Flemish and Spanish painters – Velázquez, Rubens, Murillo, Van Dyck, El Greco. Palais des Beaux Arts. Ends Dec 22.

Goya: paintings, drawings, etchings from Spanish public and private collections. Musée Royale des Beaux Arts. Ends Dec 22.

Picasso, Miró, Dali: Palais des Beaux Arts. Ends Dec 22.

Taples, Chillida, López García: three contemporary artists. Musée d'Art Moderne. Ends Dec 22.

Los Iberos: Iberian Art from the pre-Roman period. Musée Royale d'Art et Histoire. Ends Dec 22.

Armada Treasures. 2,000 items from the Ulster Museum. A variety of objects including a gold salamander set with rubies, rings and a three-tonne siege gun raised from three ships, Girona, Trinidad Valencera and the Santa Maria de la Rosa, all wrecked off north and western Ireland in 1588. Credit Communal until end Jan.

Dario de Regoyos (1857-1813): A Spaniard in Belgium. Banque Bruxelles Lambert, Place Royale ends Dec 21.

ITALY

Florence: Museo di Storia della Scienza: A History of Spectacles. More than a hundred pairs of glasses from the Zeiss foundation (in E. Germany). This is the first time the collection has been shown publicly. Exhibition also includes engravings by Durer, Rembrandt and Japanese artists. Ends Jan 11.

Rome: Museo delle Mura, Porta San Sebastiano: Trade Routes Between the Mediterranean and the Far East in the Ancient World. The museum is set into the Aurelian walls above the gate through which the Appian Way passes and is worth seeing in itself. Organised by the Commune di Roma and the Museo Nazionale d'Arte Antica, the exhibition explores the movement of goods (incense, myrrh, silk and spices) to Italy from the east from the 8th century BC to the Middle Ages. Clear and informative and illustrated mainly by photographs and diagrams, but one felt that the exhibition was aimed more at school outings than tourists and that a lot of the information could have been got just as well from a good book. Ends Jan 5.

Venice: Museo Correr (Ala Napoleonica): Folon: Over 200 works by the celebrated Belgian artist, among them 120 watercolours originally as illustrations to Apollinaire, Prevert, Boris Vian and others. A perverse but gentle painter with a seductive use of colour. Includes delightful watercolours of Venice. Ends Jan 19.

SPAIN

Madrid, a selection of 162 XVIIth century paintings including Ribera, Caravaggio, Luca Giordano, Vaccaro, Cavallino, Pretti, Caracciolo, Salvatore Rosa, Micco Spadero, Falcone, etc. Palacio de Villahermosa, Prado Museum. Until and of Dec.

Madrid, Repetitive Structures. 22 works by 21 artists on loan from Ludwig Museum in Cologne, among them, Andre, Judd, Lewitt and Morris engaged in the Minimal movement and Andy Warhol, Lichtenstein und Dine in the Pop Art. Interesting mix of styles and trends. Fundacion Juan March, Castello 77. Ends Feb 16.

Madrid, 100 Masterpieces of Portugal. First of its kind from neighbouring country gives a good retrospective of Portugal's works produced between 12th century and today. On loan from museums, churches, palaces and foundations like the Gulbenkian: Centro Cultural Conde Duque; Conde Duque 9-11. Ends Jan 12.

Madrid Realism and Imaginative Art of La Mancha. Inaugurates exhibition season sponsored by Banco de Bilbao to be shown in Madrid first and then successive cities. Artists from Don Quixote's land with 58 paintings and sculptures: Antonio Lopez Torres, Angel Andrade, Gregorio Prieto, Antonio Guijarro, Banco de Bilbao, Paseo de la Castellana 81. Ends Dec 31.

NEW YORK

Metropolitan Museum of Art: The travelling show India, arrives from Washington with 350 examples of six centuries and numerous flourishing periods of art and craft. Ends Jan 5.

Asia Society: Complementing the Metropolitan show, Akbar's India concentrates on the 49-year reign of the sixteenth-century Mughal emperor who built Fatehpur Sikri and inspired the works represented here by 80 paintings as well as metal work, carpets, and textiles. Ends Jan 5.

Museum of Modern Art: Making generous use of the Riklis Collection of the McCrory Corporation, this exhibit of geometric abstract art of the twentieth century entitled Contrasts of Form covers the Russian Constructivists and American Minimalists as well as Cubism and Bauhaus. Ends Jan.

Guggenheim Museum: 55 major sculptors of the 20th century, including Giacometti, Nevelson, and Johns, are part of the theme Transformations In Sculpture, meant to cover pop art, minimalism and Arte Povera, among other movements of the past 40 years. Ends Feb 16.

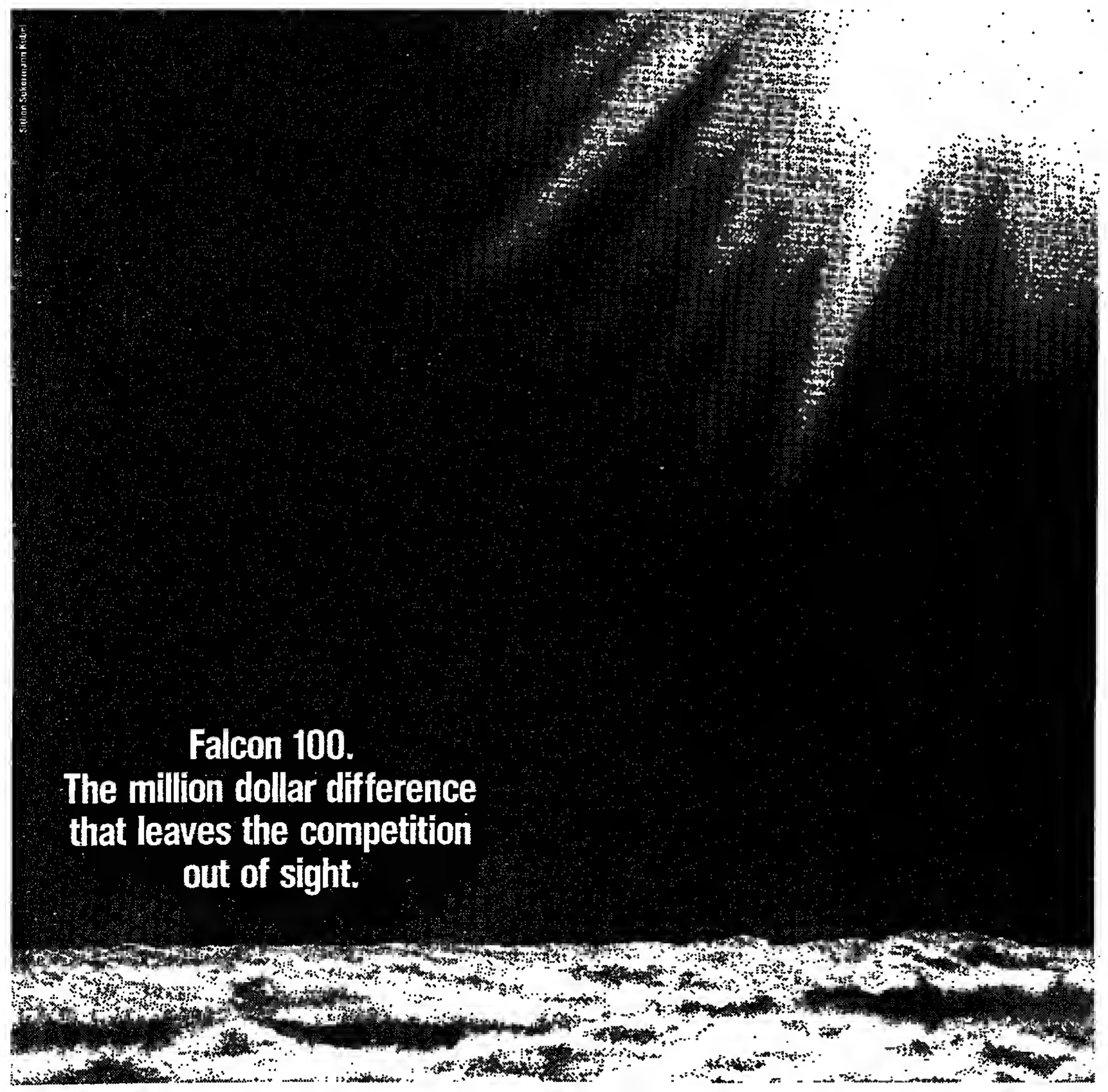
Pierpont Morgan Library: 200 British photographs from the Victoria & Albert Museum cover Fox Talbot to Julia Margaret Cameron and Lewis Carroll among the earliest practitioners in the years from 1839 to 1900. 36th St & Madison Av. Ends Feb 2.

WASHINGTON

National Gallery: The Treasure Houses of Britain collects 700 objects from 200 stately homes in a show mounted and decorated to look like the quintessential stately home, with paintings by Holbein, Rubens, Van Dyck, Hogarth and Turner among many others, as well as Chippendale furniture, Meissen and Sèvres porcelain and tapestry, jewellery and armour. Ends Mar 8.

Hirshhorn: The recent allegorical and romantic strain in Italian painting is represented in a show of 46 works, primarily paintings, from 13 artists, including lesser known artists such as Carlo Bertocci and Patrizia Cantalupo as well as the well known Sandro Chia, Mimmo Paladino and Carlo Maria Mariani. Ends Jan 5.

National Gallery: 118 Master Drawings from the fifteenth to nineteenth centuries lent by the Swedish Nationalmuseum include works by Dürer, Rembrandt, Rubens, Van Dyck and Goya. Ends Jan 5.



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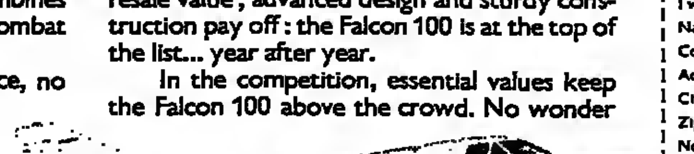

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American cinema/Nigel Andrews

The return of the routed villain

The liveliest time of year to catch up on American cinema is November: well after the summer silly season has run its course and just before the studios get saddled up for the Oscar sweepstake. The frantic race to qualify for the gold statuettes before year's end means that two weeks from Christmas all the trumpeted prestige pictures (which are sometimes also the dullest) are released to the public, or given special previews to Academy members, in LA and New York.

I am more and more of the persuasion that in America popular films are at *least* as interesting as those groomed for prizes or plaudits. Not as good, necessarily, but often far more vivid and valuable as a stethoscope to the Western world. Is its heart beating slow or fast? Is its breathing free or inhibited? What cinematic stimulants make its pulse race?

The answer in America now seems to be: dark movies rather than light, thrillers rather than comedies. Action shindigs like *Commando*, *Remo Williams*, *Target* and *To Live and Die in LA* are unmistakably aimed at lighting the audience's emotional touch-paper — they gasp, they cheer, they "ooh" and "aah"—with one-man-army tales of goodies clobbering baddies. And even the less obviously blood-and-thunder films, like Martin Scorsese's *After Hours*, Karel Reisz's *Sweet Dreams* or Norman Jewison's *Agnes of God*, snatch greedy morsels of melodrama whenever they feel the pace flagging.

It is surely apparent that as the Rambo-and-after industry machoes on, led by stars like Sylvester Stallone, Chuck Norris and Arnold Schwarzenegger, these tales of commando-style revenge or retaliation are America's wish-fulfilment show of virility in the ever more helpless era of hostage crisis, hi-jackings and enemy action.

Commentators who go "Tsk, tsk" over the violence and vigilantism in these films and their possible influence, seem to me to miss the point of popular art. Mass entertainment does not *create* new trends of thinking (*as good or great art can*), it serves as a mouthpiece, or a megaphone, for those that exist already. If the West's audiences did not have the emotional outlet of films like *Rambo*, *Commando* and *Invasion USA*—allowing them to hoot and holler to heart's content about the frustrations of the MIAs, the hostage seizures, the bitter memories of Vietnam — one wonders if they would really be better off for the lack of it.

Just how unoffending such outlets can be came home to me when I saw *Commando* in a packed Hollywood Boulevard cinema. Here muscle-bound Arnold Schwarzenegger dresses up like a member of the Delta force — a human porcupine bristling with guns, knives and grenades — to combat a band of nasties who have kidnapped his daughter.

As villains fall by the six-pack, the audience cheered him on unashamedly. However, they could also stand apart and recognise what they were watching: a piece of lively, penny-dreadful gung-ho in which the biggest response was a gale of laughter when heroine Rae Dawn Chong, cowering behind a chair during a fist-fight, mutters "All this macho bullshit." Audiences realise — even while enjoying a film like this — that the answers it presents can be as bad as the problems, that the good guy's response can be just as primitive as the bad guy's provocation.

William Friedkin's *To Live and Die in LA* is an odder chunk of violence: a scorching police thriller with no very clear idea where it is scorching to. Like Arthur Penn's new Cold War spy thriller *Target* (Gene Hackman as a CIA man rampaging through Europe after his kidnapped wife) or the comedy-adventure *Remo Williams* (anti-American forces nobbled by white ex-cop, black sidekick and Chinese karate instructor — a civil rights trinity if ever there was one), there is a sense of sizzling energy with inadequate direction.

In the 15 years since *The French Connection* Friedkin has not lost his flair for fights and car chases. (Here the hero's car has to *screech* and *zigzag* along a crowded one-way road the wrong way). But the movie's grandstanding violence seems oddly disproportionate to its parochial tale of drug deals and petty crooks flying around LA. *And its* popularity would be puzzling but for one's suspicion that the American soul is humming with righteous violence just now, as its pride and power come under siege as never before; and audiences warm to almost *any* film that strikes some generic chord with the way some filmgoers would like America to act in the world theatre. Here we have a vigilante hero (an undercover cop who bends or breaks the rules to get his man), a quick-trigger reaction to all bad moves by the baddies and an explosive man's-gotta-do showdown.

Sam Shepard in "Fool for Love," based on his award-winning play

It is of course the old cowboy spirit still alive in an American cinema that has lost (or perhaps no longer needs) the Western. Indeed the Western has become almost a museum in Robert Altman's film version *of Sam Shepard's play Fool For Love.*

Shepard himself plays the itinerant "cowboy" homing in one twilight on the desert motel run by blonde beauty Kim Basinger: an old flame, we assume, *until* she *is* revealed to be none other the S's sister. The movie then becomes a sort of "Incest at the OK Coral", a fascinating wrestling of old Western tropes and hopes with new junk-culture Americana (Shepard lassoes juke-boxes to pass the time, and romps his stallion round the motel's twinkling chalets), while polymorphous passion theratens to crack the last shards of mythic posturing.

Kim Basinger

This is the best of Altman's recent run of play-into-film movies. And *After Hours* is Martin Scorsese's best film in years. Here too we have a loner as lead character (Griffin Dunne), a flirtation with myth and melodrama, and even a picture of male pride at bay in a hostile world. Our sleepless hero sallies forth one night into New York's SoHo district and has a series of increasingly comic-nightmarish encounters with oddball women.

It is as if Fellini and Pinter had collaborated to produce an absurdist nocturne, and Scorsese had added some of the hellfire touches from his own *Taxi Driver.*

Clearly, the critic can get carried away on a delirium of interpretation if he argues that all new US movies are built around themes of virility under threat, or violence under the *surface* of society. But there *is* a shimmeringly unstable feel in current American films that can give dark energy to even, say, the biopic of a Country and Western singer: viz. Karel Reisz's *Sweet Dreams*, with Jessica Lange superb as Patsy Cline. Although the film's four-square naturalism testifies to its part-TV genesis (made for Home Box Office), it depicts such matters as Cline's declining marriage and increasing alcohol level with thunderclap impact.

All this plus baby-killing in Norman Jewison's *Agnes of God* (a handsome if portentous slart vehicle for Jane Fonda and Anne Bancroft), *sexual* victimisation in Joyce Chopra's eerily powerful *Smooth Talk* (*with* a knockout performance by Laura Dern) and traumatised teenagers on the cusp of adulthood in *That Was Then This Is Now*, the latest screen *hi-jacking* of a novel by S. E. Hinton (of *The Outsiders* and *Rumble Fish).*

As Sir John Gielgud's butler said in *The Wicked Lady*, "These are da-ark days." But it is surely better to beam that darkness up on to a cinema screen than let it dwell and expand in people's minds without the release valves of art or entertainment. Banners, bowdlerisers, and even BBC TV "re-schedulers," please note.

London Mozart Players/Elizabeth Hall

Paul Driver

The London Mozart Players, constituted more or less as a wind band, gave just two works in their concert directed by Jane Glover at the Queen Elizabeth Hall on Wednesday night: Mozart's hour-long, indescribably rich Serenade in B flat for a dozen winds and double bass, and the Sitwell-Walton rich fabric of richly evocative nonsense, *Facade*, narrated by Sheila Steafel.

The K. 361 Serenade came across loud, clear and pungently fresh in this performance and quite accommodating acoustic. There was bite in the playing: good balance of ensemble was maintained; communication was irresistibly direct. The first minuet's trio, scored for two clarinets and two basset-horns sounded marvellously luscious and strange, the Adagio was forthrightly emotional, the final adagio section of the Romanze brought harmonic surprises that stirred one to the depths.

The six-piece band for *Facade* did crisp and stylish work. Sheila Steafel gave the best recitation I have heard in a live performance, though I mean that as negative praise—she merely committed none of the familiar blunders (excessive gesturing and use of *dialect*, over-emphasis in general), and sensibly paid careful attention to Edith Sitwell's and Peter Pears's account on the 1954 recording, and knew how to declaim strictly in the notated rhythms of the score and keep together with the musicians.

By her wise refusal to make the meanings of the text explicit, by approaching her task as in the first place a musical one, she was able to suggest something of the larger resonance of the words, their quirky imaginative life, their ability (at least in the context of Walton's music) to conjure up a beautiful, other-worldly England. But still more might have been suggested if she had also been able to add some quality of presence or personal feeling to her account, which was, though commendably accurate, faintly derivative and rather pale.

The Scarlet Pimpernel/Her Majesty's

B. A. Young

Forget the novel, forget the film, forget Baroness Orczy even, who may well be looking down from Heaven with some indignation. This adaptation by Beverley Cross, directed by Nicholas Hytner, has borrowed the characters and the basic tale of heroics among the condemned aristos in revolutionary Paris, and made of them a farce as improbable in story as a piece by Feydeau, and indeed less realistic in character detail than that scrupulous adherent to the rules of farce would ever have gone.

So do not expect to see the kind of deeds that Buchan or Sapper would have presented. What the story has become is a hilarious sequence of comic incidents, built around two superb comic performances, Donald Sinden's Sir Percy *Blakeney* and *Charles Kay's* Chauvelin.

The Sinden Pimpernel only half realises the character of the imperturbable English gentleman that, when the story was new, attracted such admiration. It is clear that he recognises the qualities when he sees them—he could not give this performance if he did not—but without deliberately mocking them he shows us what there is about them to laugh at. He is just too genteel, too light on his feet, too courteous to his enemies. It is a performance to match his Lord Foppington in *The Relapse*, foolishness played seriously. Only occasionally does he emerge from the serious mask, when, for instance, he takes leave of the horribly crippled landlord Brogard and asks him, "Rung any good bells lately?"

Charles Kay's playing is quite different, for it depends on his inscrutability. He puts on an air of wickedness by walking slowly across the stage, by looking out of the corners of his eyes, by confronting his revolutionary subordinates with a mien of authority, only relaxed when Robespierre, addressing him from a high balcony, warns him of the penalty of failure.

There are few reservation's in Mr Hytner's methods of squeezing laughter from the scene. When a dozen religious sisters, enroute for the guillotine, turn out to be the Pimpernel and his supporters and engage the executioners in a running fight, the sliced-off heads under the blade are used as ammunition, and a chance rugby pass from one fighter an another at once turns the contest into a scrum.

Among the junior members of the Pimpernel's band there are performances almost as gentlemanly as Mr Sinden's from Michael Simkins as Ffoulkes and Iain Mitchell, sporting a black eyeglass as Lord Anthony. Rowland Davies gives us the Prince of Wales before his belly grew big enough to hang around his knees, still slim enough indeed to play bowls. (None of them plays so well as Sir Percy.) The ladies have the handicap that Baroness Orczy did not equip them with enough potentially laughable characteristics, for in her days you did not speak lightly of a woman. So Joanne McCallum as Marguerite, *Lady* Blakeney, plays her two-sided part as nearly as possible to straightforward, and though she matches the surroundings, she does not quite match the *mockery.*

Eight Decades/Festival Hall

Dominic Gill

Both of the two recent works in the BBC Symphony Orchestra's programme of "Music of Eight Decades" on Wednesday night, as it happened, took their titles from T. S. Eliot. *Ringed by the flat horizon* (a quotation from *The Waste Land*) was the work which, five years ago, introduced the 20-year-old composer George Benjamin to London audiences. It's a fresh and remarkably effective piece that has lost none of its immediacy: a brilliant essay in orchestral sound-colouring drawn with unusual deftness and confidence.

As a "study in tension and atmosphere" it works well: the structural design is very clear, and the shifts from section to section are cunningly devised, sometimes abrupt, like a cinematic cut, sometimes elaborately dovetailed, like a fade. The performance, under Mark Elder, was excellent—the most accurate I have heard so far, and the most cohesive. In the present nerveless musical climate such an adventurous step is unthinkable—but *Ringed by the flat horizon* deserves a place in the regular London orchestral repertory.

The other new work of the evening, David Matthews's *In the dark time* (the words come from *Little Gidding*), was by contrast an amiable muddle, without any of the crystalline concentration of the Benjamin score. The best parts were those during which least happened, and of which there was least to control—string chords floating above delicate brass and woodwind ripples; some simple, bold chordal gestures. But by and large the impression was of notes run wild across paper, quite out of the composer's grasp: a huge scrawl of sound, over-worked, over-inflated. Somewhere inside there was perhaps the germ of piece five minutes long; but the very length of the score as performed, half an hour long, betrayed, among other things, an extraordinary lack of self-critical sinew.

Dona Francisquita/Madrid

Ronald Crichton

Dona Francisquita by Amadeo Vives is one of the most celebrated of the vast repertory of *zarzuelas* stretching for 30 or 40 years on either side of 1900. *As a general definition* of zarzuela "Spanish comic opera with spoken dialogue" will do, though it implies much greater uniformity than actually exists. The *zarzuela* is alive. Anthologies of *favourite excerpts are popular.* The handsome Teatro de la zarzuela in Madrid, doing temporary duty as the capital's opera house, mounts well-groomed productions of the entertainments from which its name *derives. The company has* recently taken *Doña Francisquita* in Belgium as part of the Europalia festivities.

I confess to a shameful weakness for the shabby kind of downtown revival *with* the scenery dropping to bits, the orchestra half-asleep, the cast a mixture of raw fledglings, old trouts and croaking comics who can hold a raffish audience in the palm of their hand. You get nearer the popular origins this way. But though there *is* danger of gentility and of the cautious, sanitised approach to production and design that ·ted the D'Oyly Carte when they went ever so slightly modern, there is a case for faithful, musically respectable revivals of the present type.

Like many *zarzuela* composers Vives, a Pedrell pupil and a co-founder of the famous Orféo Català choir of Barcelona, was a well-trained, versatile musician. The score of *Doña Francisquita* has abundance of fresh melody (including one striking anticipation of *West Side Story)* and a harmonic sleight-of-hand worthy of Messager, flattering the musical ear without going too far beyond what the public thinks it wants.

Apart from one well-known tenor solo the main interest lies in duets and ensemble numbers like the charming, skilful quintet in Act 2 and the loosely-*sewn but effective finale to the* same act.

The hero of the evening, I thought, was the conductor, Miguel Roa, unshowily but effectively supporting the singers and welding a bunch of dissimilar voices into a team. *He was also responsible for the* version of the score here performed, mainly a question it seems of going back to original sources and cleaning up "improvements." The scoring is unexpectedly rich—not so surprising when one remembers that the date of the première was 1923, the Korngold period, when operetta was generally fattened up.

The cast I saw was headed by Enedina Lloris in the title role. This young singer has won golden opinions. The voice is firm, clear and shining, definitely promising. Though she acted capably she is not, I suspect, a natural comedienne: her future may lie in the lyric soprano repertory. Meanwhile, the discipline of operetta will do nothing but good. The tenor, Antonio Ordonez, is a well-graced performer with steady high notes. There were excellently stylish portraits from Maria Rus as Francisquita's over-susceptible mama and Enrique del Portal as the tenor's baritone feed. The corps-de-ballet danced a smashing fandango. The producer, José Luis Alsonso, did too little rather than too much sketching in the genre pictures of Madrid street-life in carnival time a little tentatively. Now that ·rquela is coming back there ·ill be plenty of young direc·rs to put that right.

Elton John/Wembley Arena

Antony Thorncroft

There is something festive and celebratory about Elton John so there could hardly be a better way of easing yourself into Christmas than catching his series of shows at Wembley this week. If any man can make the awful Arena habitable it is little John.

He was dressed on Wednesday rather like the Jack of Hearts. He has abandoned the cap and the twinkling specs and by some fantasy of nature his hair now grows luxuriantly down his back. He can get his leg over the piano — just — but apart from kicking away piano stools in disgust the wilder eccentricities of performance have been curbed. Now the concentration is on the music.

And very fine it is too. For most of the time he has 10 musicians backing up his thumping piano rhythms, including a four-man brass section. With the stage headed by flashing lights, and sprouting inflatables, this is Elton John at full throttle, most notably in "Restless," which is pure old-fashioned rock and roll, and the ageless "Bennie and the Jets."

Of course there are the John ballads to counter all this stomp, and the new "Shoot down the moon" could become a standard. It is a measure of the man's talents that his latest work, naturally much featured in the performance, is no excuse for a yawn. He ends the main show with "Nikita" and "Wrap her up," two of the strongest songs of the year. Then it is on to the encores, to everyman's memories, the vibrant "I'm still standing," the staunchest pop statement of self-pride; "Your song"; the most romantic ballad, and on and on. . . .

Elton John may have lost some of his old exuberance, but his music is still capable of both emotional and physical uplift. By pushing his (unknowable) personality to the limits of his imagination, and by spending lavishly, Elton John has laid on a show for Christmas which his pop rivals will find hard to match.

London Festival Ballet's Christmas season

The London Festival Ballet returns to the Royal Festival Hall on the South Bank from December 26 to January 15 with performances of Ronald Hynd's *The Nutcracker* to Chaikovsky's music.

Eleven different couples will take the principal roles, and there will be two special schools' matinees, and two performances daily from December 27 to January 4.

The production is sponsored by the National Westminster Bank.

First J. T. Grein Awards presented for drama

The drama section of the Critics' Circle has announced the first presentation of the J. T. Grein Awards. Three young playwrights of already established reputations are the recipients of cash prizes made possible by 11 West End managements.

Louise Page, author of *Golden Girls*, performed during the last year by the Royal Shakespeare Company in both Stratford-upon-Avon and at the Barbican, took first prize of £5,000.

Joint second prizes of £3,000 each were taken by Jonathan Gems, most recently author of *Susan's Breasts*, and Robert Holman, whose *Overgrown Path* at the Royal Court earlier this year, was described by Michael Coveney in these pages as "slippery, insidious and finally remarkable."

Presenting the awards, Sir John Gielgud, *observed* that he was the only person present who had known J. T. Grein. Both producer and crusading critic — he was an early champion of Ibsen in Britain — he had mounted a production of *Ghosts in* the 1920s in which the young Gielgud played Oswald to *the* not always co-operative Mrs Alving of Mrs Patrick Campbell. Reminiscing about this remarkable figure, founder of the Critics' Circle, *Sir John looked forward to the* awards becoming a permanent institution.

Martin Hoyle

Saleroom/Antony Thorncroft

Nails strike a chord

The London salerooms were full of good things yesterday, and with buyers willing to pay high prices for them. At Sotheby's the London dealer Ian Pleeth bought a rare two manual harpsichord by Andreas Ruckers of Antwerp, of around 1625, painted in the mid-18th century with pretty rural scenes, for £68,200 in a sale of early musical instruments which totalled £254,779, with 8.44 per cent unsold.

The most unusual item in the sale was a nail *violin of* around 1760. This consists of a sycamore frame into which had been hammered 37 graduated iron nails: apparently it produces music and it sold for £1,540. A rare Portuguese single manual harpsichord by Antunes, of 1785, doubled its forecast at £36,300, and a German bass viola da gamba, of around 1700, fetched £19,800.

In the works of art sale at Sotheby's a rare mid-17th century bronze group of Mercury and Cupid made the extraordinary price of £291,500: it had estimated at £50,000-£80,000. Another pleasant surprise for the seller was the £107,800 paid for a mid 16th century bronze relief of "Ecce Homo", probably a tabernacle door: it carried a top estimate of £30,000.

Not all the bronzes found buyers, and a rare Venetian bronze allegorical group of the Triumph of Light over Darkness by Francesco Berlos was unsold at £14,000, but the morning session total of £676,907, with 22.2 per cent unsold, was satisfactory. A late Gothic painted and carved wood triptych, early 16th century and from the Netherlands, sold for £28,600, and two oak reliefs, of the "Entombment" and the "Road to Calvary," also Netherlandish but dating from 1490, sold for £19,800 each. An Italian terracotta male portrait bust of 1545 made £24,200.

The highlight at Christie's was *the* £162,000 paid for a chalk drawing of a boy holding a lemon by the 18th century artist, Piazzetta. In 1955 Christie's sold it for 550 guineas and it carried a top estimate of £50,000. Old Master drawings remain a strong area and the morning sale totalled £643,377 with just 1 per cent unsold. Lorna Lowe of London bought an oval portrait by Giuseppe Cades of a woman, flanked by Fame and Victory and dated 1785, for £45,360 (top estimate £6,000), and two studies for a bust by Tiepolo made £41,040.

Continental furniture totalled £717,638, with 18 per cent unsold. A pair of terrestial and celestial globes, made by Willem Blaeu in Amsterdam in 1622, were on target at £48,600: for many years they had been at Petworth House. A Flemish ebony cabinet-on-stand of the 17*th* century, with every surface covered with Dutch genre scenes in the manner of Peter de Hooch, doubled its estimate at £19,440.

December 1985

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Friday December 13 1985

Questionable deal on SDI

THE BRITISH and US Governments have signed a Memorandum of Understanding (MoU) to provide a framework for the participation of British companies and scientific bodies in President Reagan's Star Wars research programme. It is possible, as Mr Michael Heseltine, Defence Secretary, claims that this agreement will open up technological and economic benefits for Britain; but these benefits are uncertain, and they may be offset by drawbacks. In political terms, however, this agreement may well incur significant costs, and these costs may become apparent before any economic benefits emerge.

The crucial choice was made much earlier this year, when Mrs Thatcher decided to respond to Mr Caspar Weinberger's open invitation for European participation, and to press enthusiastically for a British role in the Strategic Defence Initiative research programme. Having taken that decision, it was perhaps understandable that the UK should press for an umbrella agreement to ensure that British research establishments were as favourably positioned as possible.

There were, for example, grounds for scepticism about what really lay behind Mr Weinberger's invitation. In the first place the US undoubtedly wished to blunt criticism of the strategic implications of SDI by enlisting a politico-economic lobby for the project in Europe.

Secondly, there was little doubt that the SDI organisation was genuinely interested in the possible contributions of the most advanced European researchers; but there were, and remain, fears that this interest would merely be translated into a brain drain in which a few of the most brilliant European technologists would be skimmed off the top. Finally, in view of the Pentagon's sustained campaign against any advanced technology transfer, even to America's allies, there was concern that any European contribution would simply become the property of the Pentagon and be lost to Europe.

The Defence Ministry claims that this (unpublished) agreement is much better than previous MoUs with the US, on defence procurement, intelligence, nuclear matters and Trident. In particular, it should ensure that British research bodies will get non-discriminatory access to the right to tender for research contracts. There will be monitoring arrangements, with a mechanism for companies to complain if they find they are being discriminated against.

Given the secrecy of the programme, and the symbiotic relationship between the Pentagon and the defence-technology sector in the US, it is hard to imagine that any such procedures will provide a watertight defence against discrimination. Nevertheless, it is possible that the political importance of the agreement, plus the personal commitment of Mrs Thatcher and Mr Heseltine, may ensure that some worth-while contracts will flow in Britain's direction.

Opportunities

It is also claimed that the MoU gives assurances on intellectual property rights, on technology transfer and on exchange of information. The testing of these assurances will inevitably be deferred until research contracts have run their course; but it is conceivable that the umbrella agreement may help to ensure that small companies and science departments do not sign away their rights unnecessarily.

Yet many doubts remain. It is possible that SDI, like the Apollo programme many years ago, will lead to major technological advances, and many European (not just British) companies will want to take advantage of the opportunities. But too high a proportion of British research and development is already devoted to the military sector, and it is not at all clear that Britain as a whole will benefit if even more of our limited technology resources are diverted in this direction, even if it is at the expense of the US taxpayer.

In the end, political considerations should have weighed against any government-to-government agreement. Some British bodies were likely to have secured contracts on their merits, even if on a smaller scale than may now be possible. But the British Government, in spite of its formal reservations about the strategic objectives of the Star Wars programme, can now scarcely avoid some degree of political involvement. Since the moment of truth (between SDI and arms control) may arrive in the Geneva negotiations before the MoU has delivered its benefits, the agreement may yet prove to carry a heavy political cost.

Life assurance lifts one veil

THE SELLING of life assurance in the UK has drifted over the years into a state of considerable confusion. Between company salesmen on the one hand and independent insurance brokers on the other there has grown up a large grey sector consisting of "tied agents" who may in practice sell policies for several different companies. Incentives have multiplied such as the payment of so-called volume overriders (extra commissions on large volumes of business placed with a single life office) and various sorts of payments in kind, ranging from the financing of office overheads to invitations to "sales conventions" held in Mediterranean resorts.

All this has flourished in the context of non-disclosure of sales charges to the client; indeed, the consultative document on the selling of life assurance and unit trusts, published yesterday by the Marketing of Investments Board Organising Committee, implies that in this respect there has been widespread flouting of the common law of agency, though more by ignorance than design.

Commissions

Against this background a robust approach by Miboc would have been welcome, and indeed it takes a tough line by insisting that volume overriders and benefits in kind should be prohibited for independent intermediaries. But the document leaves several important loose ends. It seems that the committee inclined towards what it calls the "purist" line on the structure of the sales network, forcing salesmen either to act as representatives of a single company, or to take the role of independent brokers who would be expected to find the best deal in the market for their client. However, under pressure from the life assurance industry Miboc has still left open the possibility that an intermediate category, albeit carefully defined and probably not all that important in practice, could exist.

As for commissions, the committee has failed to come down firmly in favour of disclosure to the client. It is inclined to the view that a voluntary agreement on commissions would be in the interests of investors, and that those companies subscribing to such an agreement would only be required to make "limited disclosure" which means that investors would have to write off for a set of standard commission scales. Only companies outside the agreement would have to disclose the commission as a money sum

It is true that by going down this road Miboc is following faithfully enough the Government policy guidelines laid down in last January's White Paper. But the discussion document illustrates a basic drawback of handing over regulation to a group composed largely of industry practitioners: that they will pay too much heed to vested interests.

Thus Miboc starts from the point that "by the custom of the industry the independent intermediary looks not to his client but to the life office to remunerate him." It does not discuss the possibility of changing this custom, and indeed apparently does not regard this as being within its terms of reference. Rightly or wrongly, meantime, the industry fears that large numbers of potential clients would simply walk away if they were given the naked truth.

This is not an encouraging way to begin a new regulatory regime. It means that the principle of "equivalence" enshrined in the White Paper is being compromised, in that disclosure of commissions will be strictly enforced in areas like stock market investment, but not in life assurance. There is the probability that life assurance practices will spread into unit trusts, with further sharp rises in commission rates there.

This is, however, only the initial version of Miboc's rules. Views from the public are requested before the definitive edition is drawn up next spring. It is important that there should be a heavy response from outside the life assurance industry as well as inside.

THE GE-RCA MERGER

Mr Welch's defensive attack on Japan

By Terry Dodsworth and Paul Taylor in New York

MR JACK WELCH, the 50-year-old chairman of General Electric, has finally won the prize that had eluded him during five years of non-stop change in the US's sixth largest manufacturing group—a blockbuster merger which consolidates GE's position in most of its main markets.

The agreed \$6.28bn cash merger with RCA will create a new industrial giant out of a company which was already one of the most powerful manufacturing establishments in the US. With combined revenues of almost \$40bn, GE will be bigger than all but International Business Machines (IBM), Ford and General Motors.

The deal has the potential to strengthen GE's position in the military and consumer markets and industrial electronics while adding to its burgeoning service activities with the absorption of NBC, the television arm of RCA and currently the top-ranked prime time network in America.

It would be difficult to imagine any acquisition that would more closely match Mr Welch's aspirations for GE. A tough, working-class engineer, Mr Welch characterises a new breed of abrasive, no-nonsense managers

Unlike the old conglomerate builders — industrial imperialists Harold Geneen, the architect of ITT—these executives are principally motivated by the belief that the world has become a much more hostile environment for American corporations. As US industrial hegemony has begun to disappear across many markets their companies once dominated, they are beginning to respond.

Only last week Mr Welch explained his competitive strategy when he outlined a new GE top management system which he said would be "consistent with our long-stated objective to move to a leaner, flatter, more market-driven structure."

This organisational strategy, he said, "has evolved out of an environmental assessment that defines a more intensely competitive world—a slower growth world with more, stronger, worldwide competitors fighting for market share." This logic is very similar to that cited by GM, IBM, Chrysler and Allied in major acquisitions recently which have been aimed at harnessing technology to enhance their market position.

"We are creating a company that will successfully compete with anyone, anywhere, in every market we serve," GE and RCA said in announcing the agreed merger.

The fact that the two companies felt able to issue such a bold statement of intent demonstrates the dramatic shift in US anti-trust policy in recent years as a consequence of the erosion of US competitiveness. Only a decade ago, it would have been virtually inconceivable that the guardians of US anti-trust policy would have tolerated such a deal. Today, although there may be questions over some of the details—particularly in the electronics and defence fields—the grand plan is unlikely to be seriously challenged.

In order to meet the market pressures being exerted by new competitors, particularly the Japanese, both RCA and GE have in recent years embarked upon rigorous restructuring programmes — refocusing their activities on what they regard as their "core" businesses. Everything they own has been scrutinised and the laggards ruthlessly weeded out.

At RCA the process began with the arrival of Mr Thornton Bradshaw, the former president of the Atlantic Richfield oil group, in 1981. In the year he took over as chairman, the company's profits plunged from \$312m to a low of \$41.3m. The group appeared to be drifting amid a crisis of morale and a wave of management disaffection.

Mr Bradshaw, now aged 67, brought in a new management team led coincidentally by Mr Robert Frederick, a 34-year GE man who became president in 1982 and earlier this year stepped up to become chief executive.

Under the new structure, RCA re-established managerial stability and progressively redirected its energies towards its traditional strengths in the electronics, entertainment and communications industries. Two of the biggest units inherited from RCA's diversification era, which had taken it into such businesses as greeting cards and frozen foods, were divested. RCA sold its CIT financial service unit to Manufacturers Hanover last year for \$1.5bn and most recently spun off its Hertz rental car business for \$587.5m in cash to UAL, parent of the largest US airline.

As a result of these moves, RCA profits have increased more than eightfold since 1981 to \$341m last year on sales of \$10.1bn. At the same time, divestitures have helped pay down debt, substantially strengthening its balance sheet which now sports around \$1bn in cash and liquid assets.

But this recovery made RCA a natural, take-over target—a company with a huge cash-cow in its NBC unit, which last year accounted for over 35 per cent of pre-tax earnings and almost a quarter of the group's revenues.

In the turnaround the company has also had to compromise some of its proud old technological standards, and to admit some embarrassing failures—including the ill-fated videodisc player which RCA abandoned last year taking a \$175m pre-tax writedown in the process.

From RCA's point of view, the deal appears to hold two main attractions. First, the take-over wave in the US television industry has placed a high premium on networks like NBC and this deal will deliver that enhanced value to shareholders. At the same time, both RCA and GE clearly feel that their combined financial muscle will be needed to help ensure that RCA's non-broadcasting businesses, particularly defence electronics and satellite telecommunications remain competitive in world markets.

Back in 1939, RCA was the company that first demonstrated the commercial potential of television in the US and it has

Jack Welch, Chairman of GE

been one of the foremost pioneers of consumer electronics. Yet in the last few years it has been forced to bow to the superiority of Japanese hardware across a wide range of products. For example, in its TV business it now only assembles sets from parts supplied by Mexico and Taiwan. Its video tape recorders are supplied directly by Hitachi, and its videotapes are manufactured in Japan and South Korea.

General Electric has faced similar problems in its own consumer electronics business. Under Mr Welch the company has quit television manufacturing, putting the work out to Matsushita of Japan, which will provide sets for GE's distribution channels. The company has also recently pulled out of manufacturing air conditioners, which again will almost certainly be sourced to Japanese suppliers.

More embarrassingly, GE has come an embarrassing cropper in the factory automation field.

Mr Welch has also had to take the rap from Wall Street analysts who raised questions over GE's excursion into natural resources through the acquisition of Utah International. Last year, GE sold the coal and energy unit after owning it for only eight years, raising doubts about the strategic thinking behind the deal.

GE still defends the Utah diversification on the grounds that it was financially successful—it made a profit of \$1bn on the sale—and that it was a sensible piece of portfolio management in a period of high inflation. However, although Mr Welch himself charged to the defence of the Utah deal yesterday, it is clear that the company is thinking on very different lines about the way it manages itself today.

Under Mr Welch, the emphasis has turned, as at RCA, to the long established roots of the company. In a group as large as GE, it has not always been easy clearly to distinguish what the key operations are. But in a now-famous explanation, Mr Welch has set it out in terms of three "circles" of activities — the older "core" business such as lighting, major appliances and turbines; high technology areas such as engineered material, medical systems and aircraft engines; and services, like GE's huge General Electric Credit Corporation.

Concentration on these business groupings has meant throwing a lot of other activities out into the cold where they must prove themselves or face amputation.

In this harsh new Welch-inspired environment, GE has sold more than 150 operations in the last four years raising about \$4.9bn including \$3.3bn from the Utah International disposal.

GE has used these proceeds in part to fund an aggressive investment programme which rose by almost 50 per cent to \$2.5bn last year. This spending has helped its emergence as a much stronger force in aero-engines, stabilised its position in domestic appliances and enhanced its standing in emergent technologies like hard plastics.

With some help from the economic recovery of the last three years, this reshaping of the group has been accompanied by a profits resurgence which carried earnings to \$2.3bn last year on sales of \$28bn compared with net earnings of \$1.5bn on sales of \$25bn back in 1980 when Mr Welch took the helm. GE's debt has been reduced to minimal proportions while it now has around \$3bn in cash to help fund the RCA deal.

Wall Street has been expecting Mr Welch to use these resources for a major acquisition for some time.

NBC is clearly the jewel in the RCA crown, and the one which most attracted Mr Welch's attentions. He said yesterday: "We think broadcasting has many great strengths. It is a domestic business and is not battered by imports. In fact it benefits from importers who want to establish brand recognition."

This defence of the deal also highlights one of the main criticisms academics have levelled at GE and companies like it over the past few years. The question is whether for all their talk about heightened competitiveness they are ready to do battle with the Japanese in the context of broader world markets.

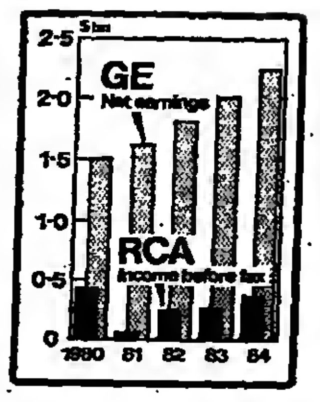
It could be said, albeit with some overstatement, that wherever GE, under Jack Welch, has identified its key competition as Japanese it has either handed over the manufacturing responsibility or retreated into politically protected sectors in search of growth.

In this sense, analysts see the RCA acquisition as partly, possibly primarily, a defensive manoeuvre in a protected sector. It is only if Mr Welch's managerial talents can be brought to bear effectively on the non-broadcasting aspects of the merger that it is likely to be judged as a meaningful response to the US's competitive problems.

Mr Welch could also find himself with a senior management problem, if in-house tales about the stormy relationship between himself and Mr Frederick in the latter's GE days are to be believed.

If it does work, then GE and RCA will have turned full circle towards the renewal of a technological partnership which began in 1919 when President Woodrow Wilson asked GE and a number of its competitors to get together to form a company that would establish the US presence in the fledgling communications business. RCA was born from that initiative, was later spun-off to the public as a result of anti-trust concerns—and is now being re-absorbed by one of its parents for the very same reasons that led to its creation.

HOW THE COMPANIES COMPARE



GENERAL ELECTRIC. 1984 sales \$28.9bn of which consumer products 13%, major appliances 12%, Industrial systems 14%, Power Systems 20%, Aircraft engines 13%, Materials 8%, Technical products and services 16%, Financial services 2%, Natural resources 2%.

RCA. 1984 sales \$10.1bn of which consumer products 22%, Commercial products 13%, Government systems 14%, Broadcasting 23%, Records and video 6.1%, Communications 4.1%, Transportation services 14%, Other products 3%.

Workers' Swedish rhapsody

The little town of Strangas on the shores of Lake Malaran near Stockholm was a scarcely-noticed community until it woke up this week to the fact that it has the biggest concentration of krone millionaires in Sweden.

Swedes have a passion for playing the lottery—in the country with the heaviest tax burden in the world it often appears to be the only way to make money.

But in Strangas 125 employees of the Fermenta company have found a new route to unexpected fortune.

Fermenta is the biggest sensation the Swedish stock-market has produced in recent years. Only introduced on to the exchange in August last year, the company's share price has risen by 676 per cent. Since the beginning of November last, the price has risen by 117 per cent.

At breakneck speed Egyptian-born Refaat El-Sayed, the company's driving force, has expanded Fermenta into one of the world's leading producers of bulk antibiotic. An uninterrupted flow of acquisitions has taken sales from SKr 95m in 1982 to an expected turnover next year of more than SKr 3bn. And profits have more than kept pace.

Swedish managers, who are accustomed to their companies growing at a more sedate pace, are still waiting for Fermenta to skid off the road. But for the moment a dazzled stock market is paying no attention to such doubters.

Nor are the lucky workers in Strangas. Before the company went public, they paid on average SKr 25,000 to buy convertible debentures in the company. Conversion can take place next year at SKr 2.50 a share. With the shares trading this week at around SKr 170 they are each now worth on average some SKr 1.7m (£155,000).

Even after tax they will still be krona millionaires, which is a considerable achievement in the Swedish social democratic paradise. "I'm going to open a Porsche agency for the town," jokes one of the bankers who helped set up the deal for the workers.

Men and Matters

Dear Aunt Agatha

Roger Thackery, aged 41, an Edinburgh University business studies graduate, is taking over a job which he and his chairman, Sir Charles Villiers, agree is half done.

Thackery starts next week as the new chief executive of BSC Industry replacing John Dunbar, aged 54, who is to be managing director of Betec, the engineering group.

One of the most far-sighted moves in the painful run-down of British steelmaking was the creation of BSC Industry ten years ago, to help areas left derelict when the steelworks closed.

Sir Charles Villiers, who was BSC chairman when the industrial arm was set up, has kept his BSC Industry chairmanship, "with no pay and on one day's notice."

With injections of £40m from the industry and from the European Coal and Steel Community, BSC Industry has created 30,000 jobs and reckons another 20,000 are in the pipeline. Villiers and Thackery claim that unemployment caused by the steel closures total "less than 100,000."

They believe the job can be completed in another five years. "We fund the gap between commercial lending and government loans," says Thackery, who has been running one of the 18 BSC Industry regional agencies in Lincolnshire. He calls them "Aunt Agatha" loans as they err upon the uncommercial, being often unsecured, and often at low rates of interest.

Thackery foresees a wider future for BSC Industry than simple job creation. "I believe we are moving into the business of economic regeneration by means of education, training, and encouraging new entrepreneurs."

"The Speaker says that if behaviour doesn't improve we'll end up banned from football grounds"

Out to lunch

I gather that a most surprising visitor could be dining in the Captain's Room of the Lloyd's insurance market today. None other than Brian Sedgemore MP, the parliamentary bane of Lloyd's life at the moment, has been invited to lunch by an underwriting member.

So unaware was the underwriting member of Sedgemore's low social standing in Lloyd's that he fearlessly invited Ian Hay Davison to make up a third for lunch. Davison at first expressed interest but then after taking soundings in the market warned that should Sedgemore appear there might be an unseemly row. Davison in any event, had another appointment.

Other guests invited to the lunch have suddenly found that their diaries, too, are rather full today and are respectfully declining.

Farewell note

Surely this beats a gold watch. The Scottish TUC is arranging a concert in Glasgow's City Hall in February to honour Jimmy Milne, its retiring general secretary.

The Scottish National Orchestra will play, and the programme includes a work, "Sunset Song," specially composed for Milne by William Sweeney. The piece contains themes to remind Milne of his Aberdeen origins, and also includes fragments of the Moravian folksong "Green I shall sow, red I shall reap."

Not the spirit

The spirit of Scrooge lives on where else, but in the Inland Revenue.

Morgan Grenfell, the merchant bank, is giving a Christmas dinner dance for its staff at London's Grosvenor Hotel next week.

The tax-men got to know of the merry-making plans — and indicated that everyone who attended would have to pay extra tax on the implied "benefit in kind."

Christopher Reeves, Morgan Grenfell's chairman, in a memo to staff, says: "We were able to persuade them to accept an additional payment from Morgan Grenfell rather than collect additional tax from each of you as individuals."

But the tax-men have still managed to put a bit of a damper on the affair. Because of the tax bill, the dinner will be cut from four to three courses

Observer

Politics today

Human rights time for Britain to catch up

By Malcolm Rutherford

Lord Denning (left), scathing about the Convention which Lord Scarman backed

THE HOUSE of Lords gave a second reading on Tuesday to a Bill designed to incorporate the European Convention for the Protection of Human Rights and Fundamental Freedoms into the law in Britain. The Bill is now passing to a Committee of the Whole (Upper) House.

Yet if the speech of Lord Glenarthur for the Government in the closing stages of the debate is anything to go by, nothing much will come of it. That is a mistake, for the Bill deserves better. Here is a shot at explaining why, though first some words on the background.

The European Convention of Human Rights—to use its short title—was drawn up in the aftermath of the Second World War. Britain was a major participant and the first to ratify it in 1952.

Some of its articles are astonishingly brief: for example, Article 3 which says simply: "No one shall be subjected to torture or to inhuman or degrading treatment or punishment." Article 4 begins: "No one shall be held in slavery or servitude." Essentially, it is a human rights character born of times when human rights in Europe had been disregarded.

There is a commission to which complaints about violations of human rights can be made. If the commission rules that the complaint is admissible, it passes to the European Court in Strasbourg.

By the end of last year there had been about 11,000 complaints. Only around 3 per cent of them went to the court. The court found 46 violations.

There were more complaints about Britain and more rulings of British violations than for any other country that has ratified the Convention. The Sunday Times thalidomide cases is perhaps the one that most sticks in the memory. The British courts had ruled that the paper's findings about the effects of the drug could not be published because they might be prejudicial to legal actions still pending. The newspaper went to Strasbourg and its right to publish was eventually upheld.

Other British cases have been about the right of prisoners to have access to lawyers, the treatment of internees in Northern Ireland, the review of retention for mental patients, whether British Rail should be allowed to operate a closed shop and telephone tapping.

Yet the reason why Britain has figured more prominently in the European Court than the other signatories is not that it is more illiberal. It is that, in one way or another, almost all of the other signatories have incorporated the Convention into their internal law.

Lord Scarman, who has played an elemental role in the debate about human rights, said in the Lords on Tuesday that among the 20 signatories only two — Britain and Sweden—had not incorporated the Convention. Sweden has a written constitution. Britain has not; but neither has it enshrined the European Convention in its own courts.

The result is hardly satisfactory for the British Government, the British citizen, or the law in Britain.

The citizen has had the right to go to Strasbourg with an individual petition since 1965. It was reconfirmed for another five years in October. But the process takes a long time. Lord Scarman quoted the case of a prisoner who had not been allowed access to a solicitor. The man took his case to the European Court and secured a declaration that his right had been infringed four years after he had been discharged from prison.

That sort of thing is embarrassing to the Government and only of limited help to the individual. It is also of no great avail to the courts. There is a superior jurisdiction in Strasbourg, to which Britain fully subscribes. But it would be much simpler and quicker if the British courts could embrace the principles of the European Convention themselves, with Strasbourg only as as a longstop.

Lord Scarman made an additional point in Tuesday's debate. Not only would the potential for redress be faster; the courts in this country could become involved in the interpretation and application of the Convention. At present, he said, there is a "self-denying ordinance." "We have isolated ourselves from the mainstream of human rights jurisprudence in Europe."

Yet it would be misleading to suggest that it was Lord Scarman's day, though he had more than a hand in the drafting of tha Bill. It was really Lord Broxbourne's.

Lord Broxbourne, better known as Sir Derek Walker-Smith, sat in the House of Commons as a Conservative MP through 11 Parliaments and is still remembered for his opposition to British membership of the European Community. Among those who cared about the loss of British or parliamentary sovereignty, he was at the top of the list. He is also able to speak about the politics of the matter in a way that the Law Lords are not.

The sovereignty of Parliament is at the heart of much of the argument. Although British citizens have the right to take their petitions to Strasbourg, the European Court has no power to declare in its rulings what English law is. As Lord Lloyd of Hampstead pointed out on Tuesday, all it can say is: "There has been a violation of the treaty. Go away and do what you think is appropriate to toe the line."

That is exactly what happened in the Sunday Times case. The British Government eventually reacted to the Strasbourg ruling by introducing the Contempt of Court Act 1981, which was meant to facilitate the publication of articles that might have been previously regarded as prejudicial to legal proceedings.

If the European Convention were incorporated into the law in Britain, however, the courts could be in a much more immediate conflict with Parliament, challenging political decisions without a long time lag. There would be, in effect, twin pillars to the admittedly unwritten constitution: Parliament and the courts.

Lord Denning was among the most scathing about the idea. He objects to the European Convention on the grounds that it is "framed in the words of a treaty, vague and indefinite." European courts, including Strasbourg, he said, "decide not by the words, as we do in our courts, but by the policy which they think underlies them."

He told a story about a Moslem schoolteacher under the London Education Authority who claimed: "I have got under the Convention a freedom to manifest my religion as I think best. I want to have Fridays off to go to the mosque. It takes me an hour to get there and an hour to get back; but I want to have those Fridays off or Friday from midday off and not do my teaching."

Lord Denning said that if the Convention were to become part of English law, such cases would occur all the time. "You are going to have a myriad of cases by a lot of crackpots."

That may be dismissed as the view of an eccentric. A far more categorical view came from Lord Glenarthur on behalf of the Government. He said: "Our concern is that incorporation could cause a shift in the balance of our democratic system . . . Were we to incorporate the provision of the European Convention in accordance with the provisions of this Bill, we should have taken a major step towards a written constitution . . . We should be taking a completely unjustifiable gamble were we to support the Bill."

Lord Broxbourne called Lord Glenarthur's speech "disappointing" and suggested that he should have a quiet word over Christmas with Lord Hailsham, the Lord Chancellor, who has previously come down strongly in favour of a Bill of Rights—the incorporation of the European Convention into British law being the easiest way to do it.

Where Lord Broxbourne was most persuasive was on the politics of it all. The question of the sovereignty of Parliament, he—of all people—said, was a small matter. Parliament had already given away more sovereignty when it put the European Communities Act on the statute book in 1972 than it was being asked to do by incorporating the European Convention.

In fact, as several speakers argued, incorporation is more a matter of patriation of a treaty than a derogation of power. It would mean that British courts could have a say in the shaping of a body of law that is presently farmed out to Strasbourg in usually rather delicate and certainly time-taking circumstances.

As a Conservative politician, Lord Broxbourne's clinching point was this. He wondered whether the timing and the emphasis of the Bill were not wrong. "At the present time," he said, "should we not be more concerned with the enforcement of law than the enjoyment of rights?"

He replied to his own question: "There is no conflict; indeed, the reverse. The problems of rights and of law enforcement are not opposed; they are related and complementary."

One could have put it longer, but not better. The European Convention covers areas left vague and unspecified by national law. Article 14, for example, says: "The enjoyment of the rights and freedoms set forth in this Convention shall be secured without discrimination on any ground such as sex, race, colour, language, religion, political or other opinion, national or social origin, association with a national minority, property, birth or other status."

That was in the early 1950s. It is taking the law in Britain a long time to catch up.

There are two other points that should be worthy of note by Mrs Thatcher's administration. It is all very well to tighten up on law and order, but there is also the human rights side. It would do the Government no harm to show that it is looking at the latter as well. Incorporation would be an ideal opportunity.

And there may not always be a Tory Government. Strasbourg is still looking at the implications of the nationalisation of British shipbuilding under the last Labour administration. Human rights affect property, as the Convention states. Regardless of Right and Left in politics, it might be a very good thing for the citizen to go ahead with incorporation while the present Government has the time.

Lombard

Home buyers need help, not lawyers

By Clive Wolman

THE INABILITY of the Thatcher Government to resist the special pleadings of middle-class and professional interest groups is highlighted by the inconsistencies between two major pieces of legislation being published this month.

One is the Building Societies Bill, published last week, the other the Financial Services Bill due next week. The issue is that of conveyancing.

Originally, in exchange for the withdrawal of Mr Austin Mitchell's private member's Bill, the Government indicated it would allow building societies to do the conveyancing for their own borrowing. This would break up decisively the solicitors' monopoly of conveyancing and simplify the tortuous and costly process of moving house.

However, last week's Bill confirmed the success of the Law Society, the solicitors' professional body, and the Lord Chancellor in persuading the Government to back-track.

The Law Society claims that a building society conveyancer would face a conflict of interest and dual loyalties to the home purchaser and to his employer.

First, the conveyancer may not give sufficient priority to grappling with minor defects in the title to the property, such as potential boundary disputes or restrictions on land use, unless they threatened the building society's security. Second, house purchasers often rely on an independent solicitor-conveyancer for advice about the value of the property and the terms and interest rates of their loan. The primary concern of a building society conveyancer however will be to ensure that the loan goes through on the society's own terms.

The concern of the Law Society and Lord Chancellor to protect the home purchaser from conflicts of interest does not extend to another widespread practice of "independent" solicitor-conveyancers. That is giving borrowers advice as to whether they should take an endowment mortgage and, if so, with which insurance company. If a solicitor recommends an endowment mortgage, he will pocket the insurance company's commission. With a repayment mortgage, he gets nothing.

The importance of commission in inducing solicitors, building societies and others to persuade their clients to take an endowment mortgage is indicated by the sales figures of the insurance companies. Endowment mortgages continue to account for over half the market, even though their investment attractions, at least for 96 per cent of taxpayers, were ended in March 1984 with the removal of tax relief on premiums.

It is not necessary to protect the customer from these three (limited) conflicts of interest by using the blunderbuss of a ban on competition between building societies and solicitors. In those financial services to be covered in next week's Bill, the Government is developing the long-established principles of the common law to protect the customer.

To remove the endowment mortgage bias, solicitors, accountants, building societies and other advisers who charge their clients directly should be required not only to disclose their commissions but to rebate them.

Second, a building society conveyancer — if permitted — could be required to disclose that, because he is acting for the society, he cannot offer independent advice. The Financial Services Bill will impose the same common law obligation on an insurance salesman and on a bank clerk who agrees to purchase stocks and shares for a customer from the bank's own market-making subsidiary. In each case, the company employee must make it clear to the customer that he cannot act as his agent.

If the Lord Chancellor is worried that a building society conveyancer may be lax in checking possible defects in the title to a house, his department could draw up standard contract terms. These would require the conveyancer to inform the purchaser of all such defects, otherwise he could be sued. In fact there is less chance that a conveyancer will be negligent if he is legally responsible not to one, but two, masters—lender and borrower—whose interests in obtaining good title to a property coincide 99 times out of 100.

Letters to the Editor

Appreciating the wealth process

From Mr P. Chappell

Sir,—The extent of any surpluses in pension funds, and its impact on corporate cash flows, tax revenues, and personal sector savings, is perhaps too complex a subject for the relative brevity of your letters columns. Mr Wilkie (December 9) rebukes the authors of the London Business School survey on grounds of a little learning being dangerous (I hope Mr Wilkie has read the remainder of Pope's pastiche from which that quotation is derived). Is it not odd that a fortnight should have elapsed before these alleged errors were noted, and unusual that the survey's two distinguished authors, recognised as experts in forecasting macroflows of savings, could apparently have so misunderstood the basic data? But the more serious worry is simpler, and must be seen against the background that the equity in pension funds and insurance companies now represents 57 per cent of the personal sector's net financial wealth. When such experts disagree, what hope is there for understanding among the 12m beneficiaries?

The problem is that misunderstandings will arise so long as final salary pension schemes, necessarily involving actuarial and economic assumptions which only time can prove correct, remain the norm. It is too easy to be derogatory of old-old-tyle money-purchase schemes (which is all that the self-employed can presently enjoy) and it would be preferable that we should use the nomenclature of either asset-purchase (portable and comprehensible) or income-purchase (incalculable and rarely attainable) schemes. No-one with asset-purchase schemes has suffered in the last five years. Three simple new rules would resolve some of the problems.

The Revenue should publish basic valuation guidelines for income purchase schemes: any scheme's actual valuation could be more or less stringent, but the former would need the prior approval of the SFO for the fund to retain its tax-free status, and the latter would be disclosed in the members' annual report. There can then be no possible implication that the valuation assumptions have been adapted to the parent company's profitability.

Before joining any final salary scheme, a new entrant must be given a written summary of its impact (the Government Actuary's Wealth Warning) and offered a cooling-off period. When the full extent of cross-subsidisation is made clear (anyone who is all or any of male, early leaver, bachelor, or plodder cross-subsidises the female, stayer, married, high-flyer), the simplicity of purchase schemes may be personal and portable asset-purchase schemes may be preferred. There will be no reduction in aggregate final pension benefits if the same aggregate contributions are made, only a change in their distribution:

The fiscal shambles which currently govern the mis-match of contributions and benefits must be ended. Tax reliefs of £8bn per annum are too important to be left to the experts alone.

A clearer appreciation of the wealth creation process implicit in retirement funding would do more for public understanding of the economic process than all the wider ownership, employee participation and privatisation plans put together; pensions must come out of the closet into wider public scrutiny, as the biggest segment of personal cash flow.

Philip Chappell.
22 Frognal Lane, NW3

Industry does attract

From Sir James Wilson

Sir,—I read with interest the latter from Mr J. G. Griffith (December 5) in which he describes his difficulty in recommending a career in industry to an able young graduate from his Oxford college. The young man concerned is plainly a paragon of many virtues, though, possibly and regrettably, neither modesty nor a sense of humour appear to be among them. It is unfortunate, in my view, that Mr Griffith felt himself unable to recommend industry to his protégé; he could well have emerged, original virtues undiminished, but having acquired some significant new ones along the way!

My own experience, in respect of my two recent undergraduate sons, one of them a member of Mr Griffith's University, as indeed I was too, is very different. Both are in industry, both find their jobs highly rewarding and intellectually challenging and each has been given early and significant independent responsibility. It is interesting to bear these two young men in industry contrasting their experience very favourably with others of their contemporaries in different branches of national life. Should Mr Griffith have another opportunity to offer career advice about industry to any members of his college, perhaps he would drop me a line. I should be only too happy to help.

(Sir) James Wilson.
42 Grosvenor Gardens SW1.

The City's helistop

From Mr G. Langmead

Sir,—In a few months' time the City's helistop on the Thames at Trig Lane is to be closed down. This is not through lack of use but planning permission had to be withdrawn owing to its proximity to the new City of London School for Boys.

It is vital that this facility be replaced within the City's boundaries, preferably on or adjacent to the River Thames, and in this context we are fortunate in having the river as this is a most important factor concerning operating procedures.

I asked questions in Common Council on December 5 on this subject and quoted from a 1944 Guildhall publication entitled "Reconstruction in the City of London" which stated "The Court of Common Council has always been keenly appreciative of the importance to the City of creating and maintaining the best communications and transport." Emphasis should now be put on the word "creating," if no suitable private application is made.

Helicopters raise all kinds of irrational emotions. I work in the City and have lived here for more than 12 years. Helicopters are far less of a noise nuisance than juggernauts and motorcycles, the latter particularly when used as messenger transport with their "squawk boxes" left switched on.

The City must provide at least a "helistop", if not a full heliport, as part of its services to this our great financial centre.

Graham Langmead,
*722 Willoughby House,
Barbican EC2.*

Venture capital

From Mr C Clarke.

Sir,—Your supplement on venture capital in Europe (December 3) alluded to some of the disappointments investors have recently suffered. US-style venturing has some significant inherent defects for the economy as a whole, which we in Europe are happily importing.

By its very nature, venturing is a risky business. A success rate of around 20 per cent is not uncommon. If 80 per cent of ventures fail, then a significant amount of capital is used unproductively. Small wonder that much so-called "venture capital" money is used in second and third stage development of already successful businesses.

More pernicious is the potential effect venture capital can have on existing businesses. In Silicon Valley major companies often lose key ideas and skills. U.S. electronics industry thereby offers a fragmented response to Japanese majors which keep their firms intact. At no personal risk to themselves US employees have, until recently, been able to leave, set up their business, grow and sell out at a price which the earnings potential of their business could never justify. Major companies making such high tech acquisitions on the basis of the short term "hype and sell" activities of those so called entrepreneurs have been left with a handful of dust.

Christopher J. Clarke,
(Director Strategic Finance and Planning),
*Wallace, Smith Trust Company,
77, London Wall, EC2.*

More competent work needed

From Mr K. Allison

Sir,—Many people over recent months have been pleading for a lower exchange rate for the pound in order to help our exports. It is an old cry. Whether it would have the desired effect to the extent assumed is arguable, but any effect would be only short-term.

The "value" of one country's currency against others is, in anything but the short term merely a reflection of the world's estimate of the economic strength of the country in question. An over-simplification, I admit, but any reduction in the value of the pound amounts to acceptance of the view that there has been a deterioration in the relative economic strength of the United Kingdom. The decline in the value of the pound over the years since the last world war has run more or less parallel to the decline in our relative economic prosperity.

Ought we not to mistrust any politician or economist who argues as a matter of policy for a reduction in the value of the pound? The only way to become richer as a nation is to work harder, which is something very few politicians or economists seem willing to state clearly.

By working "harder" I mean more competently, which does not necessarily involve spending more hours at the grindstone, except in those activities where hours at the grindstone are the major factor in achieving good results.

Keith G. Allison,
*Kempson House,
Camomile Street, EC3.*

RHP Group plc

Preliminary Results 1985

* Record profits-up 78% * Record cash inflow

* Increased EPS-up 54% * Increased Dividend

	1985 £000	1984 £000
Sales	128,292	105,705
Profit before interest	12,602	7,612
Interest	(1,530)	(1,379)
Profit before tax	11,072	6,233

RHP is a British group of companies manufacturing precision electrical and mechanical engineering products for a wide range of industries, including aerospace, automotive, communications, construction, defence, electronics, engineering, energy, process control and telecommunications.

RHP operates in the UK through subsidiaries and divisions, with subsidiaries in Australia, Canada, France, Germany, Sweden, South Africa and the USA and agents elsewhere in the world.

Copies of the Report and Accounts may be obtained from:
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FINANCIAL TIMES

Friday December 13 1985

BELL'S SCOTCH WHISKY BELL'S

Jurek Martin in Tokyo reports on speculation about Prime Minister Nakasone's intentions

Japan's politicians jockey for position

MR YASUHIRO NAKASONE will not seek re-election as leader of Japan's ruling Liberal Democratic Party (LDP) and hence as Prime Minister, when his current term expires in 11 months, according to Mr Shintaro Abe, the Foreign Minister.

"I don't think the Prime Minister is contemplating re-election," Mr Abe told a press conference this week. Nor, he added with unusual directness, are the LDP's new leaders, of which he is one, taking a Nakasone candidacy into consideration in their planning.

This is not the first time Mr Nakasone has been written off. After the LDP's poor performance in the general election in December 1983, he seemed in trouble; but his own considerable powers of recuperation and the lack in the following months of a clear agreed alternative kept him in power.

Some of Mr Nakasone's own close advisers are now even putting out the word that he does not want to continue; that he is becoming tired of the eternal in-fighting that marks Japanese politics and that he would prefer the influential and less controversial senior stateman's role generally accorded former prime ministers.

He might even, it is said, entertain regaining the leadership after an appropriate interval, as some of his predecessors have dreamt of doing although they have never succeeded.

True or not, Mr Nakasone is not exactly keeping the low profile often associated with lame ducks. On the contrary, he is at present putting all his leadership qualities on the line in an attempt to secure parliamentary passage of a controversial electoral reapportionment bill.

He has ordered that the current Diet (parliament) session, due to end tomorrow, be extended for at least a week and has instructed assorted party leaders to try to find a way through the impasse.

The reapportionment issue is itself a quintessential demonstration of tha intricate nature of Japanese political self-interest. The so-called "six-six" bill backed by Mr Nakasone would take six seats away *from rural districts and give them* to the cities.

Its purpose is to the Supreme Court's objections to the current electoral imbalance, in which it takes 4½ times as many votes to return an MP from the most populous area compared with the least inhabited.

The bill would reduce the ratio to within the three-to-one standard that the Supreme Court has determined to be constitutional, although that is based on the 1980 census and *may not comply with the one taken* this year.

The Prime Minister's position is that unless there is redress, the Supreme Court may declare the next election not only unconstitutional – as it has the last two – but also invalid, which would present Japan with a real crisis.

The "six-six" bill is only a partial solution, but it would at least buy time. It would also leave the Prime Minister, *whoever he may be*, free to dissolve parliament and call elections, a prerogative which Mr Nakasone claims is now in doubt.

There are 511 members of the lower house returned from 130 constituencies, all but one of which (the *single-member Amami Oshima Island district*) elect either three, four or five MPs. The "six-six" proposal would create some two-member constituencies and therein lies at least part of the problem.

The strong Japanese notion of *fairness means that the opposition* parties, especially the Socialists but also those with a predominantly urban base, often win the third seat in a three-member rural district. There are calculations that the Socialist Party could lose proportionately *as many seats as the LDP* in the countryside if the cities were given better representation. Hence the opposition's flat refusal so far to sanction two-member districts.

The LDP backbench also dislikes the prospect of risking any losses. *Almost all those whose seats are* threatened have refused to support Mr Nakasone, thus, in the eyes of the party, weakening his case.

Those who dislike Mr Nakasone and those who want to take over from him are only too happy to see him out on a limb. Former prime ministers, like Mr Takeo Fukuda and Mr Zenko Suzuki, have taken an almost malicous delight in undercutting him on the "six-six" bill.

Nor have the new leaders – Mr Abe; Mr Noboru Takeshita, the Finance Minister; and Mr Kiichi Miyazawa, the LDP executive council chairman – rushed to prop him up. They may agree with his diagnosis but, as with the controversy over *defence spending ceilings, are not* about to hand him the sort of victory that might get him re-elected.

In particular, they fear that if the bill is passed, Mr Nakasone really might go for broke, dissolve parliament after the Tokyo summit in May, lead the party to a *smashing* (and anticipated) success and then try, with his stature enhanced, to change the party's rules prohibiting a third term. As it now stands, this requires a *two-thirds vote of LDP* MPs and the Prime Minister probably *cannot muster* that.

But this, in turn, connects to another problem affecting Mr Nakasone and the new leaders. All (including Mr Nakasone) are trying to build up their strengths and want to run as many candidates as they can *in the next election*.

But history shows that when the LDP runs too many candidates they offset each other and the party as a whole does badly; already the LDP list contains 100 more declared names than those who contested the 1983 election.

If the LDP power balance were frozen, it would today show Mr Takeshita in the lead. He has a solid group of MPs behind him, he is very well *funded* and *he seems* to be the preferred candidate of big business. Mr Abe is a bit short of cash, apparently because Mr Fukuda, his nominal factional mentor, holds the purse strings tightly. But, as this week's press conference *showed, he is shedding some* of *his* notorious reticence.

Mr *Miyazawa* has *funding and*, as most people's second choice, could cut soma interesting deals if he can stomach them. His relationship with Mr Michio Watanabe, a former finance minister and power in the Nakasone faction, bears *watching*.

Mr Nakasone, meanwhile, is Prime Minister and very popular in the country at large. Unfortunately for him, the Liberal Democrat Party which he heads is neither liberal nor democratic.

Even if he carries the day on reapportionment – and he has taken the unusual step of threatening to force a roll-call vote in the Diet *on the bill* – *he may have gained* little in political terms. That, perhaps, was the prime calculation behind Mr Abe's show of bravura this week.

Nato ministers assess East-West talks

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT, IN BRUSSELS

NATO foreign ministers agreed yesterday that last month's Geneva summit between the US and the Soviet Union had laid the foundations for an improvement in East-West relations, but that much more substantial progress was required before the next summit meeting, due to be held in the summer of 1986.

Mr George Shultz, the US Secretary of State, gave what was described by one official as a "generally upbeat, but nevertheless sober and realistic" assessment of the results of the summit. Mr Shultz and other ministers underlined the important role that close consultation between the US and its Nato allies had played in maintaining the Alliance's solid front towards the Soviet Union, despite wedge-driving attempts by the Russians.

Mr Shultz said that US-Soviet relations had tended in the past to go through peaks and troughs. It was important to develop a more even rhythm, which did not depend only on progress in the field of arms control. Regional problems, such as the Middle East, human rights, and trade were all areas where improvements in East-West relations were urgently required.

At his next meeting with Mr Eduard Shevardnadze, the Soviet Foreign Minister, Mr Shultz was looking for a more structured discussion on previously agreed topics. No date has yet been fixed for the meeting althrough the principle has been agreed.

Mr Shultz said there had been some movement on arms control at the Geneva summit. The Soviets had at last committed themselves to deep cuts in offensive weapons – which the US had proposed during the Administration of former President Jimmy Carter. Despite the lack of precision in the Soviet offer to cut strategic missiles by 50 per cent, this was nevertheless a basis on which further discussions could be built.

However, Mr Shultz repeated Washington's charges that the Soviet Union was not complying with some of the existing treaties on arms limitation. In particular, Washington has accused Moscow of breaking the 1972 Anti-Ballistic Missile (ABM) Treaty by building a phased-array radar station in Siberia. President Ronald Reagan was still considering how to deal with the Soviets' non-compliance with arms-control treaties, Mr Shultz said.

One of the biggest questions hanging over the results of the summit is whether the Soviet Union is genuinely prepared to reach a separate agreement on intermediate nuclear weapons, as Mr Mikhail Gorbachov, the Soviet leader, has intimated.

Mr Shultz and Sir Geoffrey Howe, Britain's Foreign Secretary, both indicated that there was no absolute certainty at present that the Soviets would sign such an agreement if there was no progress on the other two baskets in the Geneva arms control negotiations: the limitation of strategic nuclear weapons and President Reagan's Strategic Defence Initiative (SDI).

Sir Geoffrey welcomed Mr Shultz's statement that the British and French nuclear deterrents would not become part of the US-Soviet arms control negotiations, as long as there was no agreement between the two superpowers.

DM 1.3bn subsidy for W. German coal

By Peter Bruce in Bonn

THE West German coal industry is to receive a DM 1.3bn ($511m) subsidy *for this year*, the Bonn Economics Ministry announced yesterday, as part of a long-standing contract between the industry, the federal and North Rhine Westphalia governments, and the domestic steel industry.

Under the so-called Hüttenvertrag, first signed for 20 years in 1969 and which will be renewed in 1989 until the end of the century, the West German steel industry agrees to buy most of its coal from the North Rhine Westphalia pits owned by Ruhrkohl.

Because Ruhrkohl's product is inevitably *more expensive* than coal available on the international market, the federal and state governments make up most of the price difference. In 1985, for example, the subsidy, two-thirds of which is paid by Bonn, has been calculated on a German coal price of DM 238 per tonne, while the international price has averaged DM 182.50 per tonne.

Some 30m tonnes of coal is affected by the three-way agreement, under which the coal producer this year will have to pay DM 17.50 per tonne on its own and the steel producers, much to their irritation, DM 2.30 per tonne, meaning they are buying coal for DM 185.30 a tonne.

The size of the subsidy fluctuates with the value of the dollar, in which international coal is priced. This year the federal Government will contribute DM 850m to the overall cover, sharply down from its DM 1.3bn contribution last year but significantly higher than the DM 540m paid in 1983.

The Hüttenvertrag, which *attracts considerable opposition from* opponents of state subsidies in Germany, is nevertheless being taken seriously in some quarters in Britain, where efforts are being made to find new ways to finance the UK coal industry.

RCA, General Electric agree $6.28bn deal

Continued from Page 1

US Government" to notify them of the planned merger. "It was generally felt that this would make America stronger," said Mr Welch who noted that while the merger still had to be cleared by the various US regulatory bodies, the official response he had received was "very positive."

Under Mr Bradshaw's leadership, RCA has staged a major turnround in the past four years. The company's share price has almost quadrupled. Its *earnings have increased* eightfold and NBC, its US television network, has moved from last to first place in the TV ratings.

"However, we recognised that it would take a bold and creative step to generate the critical mass essential to *continued market leadership* in a rapidly evolving global economy," said Mr Bradshaw yesterday.

Mr Welch said: "RCA's services and technology business – the NBC network, the broadcast stations, the aerospace and defence business, *communications*, the RCA service company – complement our own businesses and will enable GE to dramatically strengthen its position in several major growth industries."

He said that the financing of the deal was "the least of GE's problems." The company would take on between $4bn and $5bn of new bank debt but expected to *maintain its* AAA credit rating and its debt-to-*capitalisation ratio* would be no more than 30 per cent after the deal.

UK and US companies in Teleglobe Canada bid

BY BERNARD SIMON IN TORONTO AND GUY DE JONQUIERES IN LONDON

BRITISH Telecom, Cable and Wireless of the UK and ITT of the US are among the companies to have submitted preliminary bid proposals for Teleglobe Canada, the state-owned monopoly which handles *Canada's international telecommunications* traffic.

Teleglobe is one of several crown corporations being privatised by the Canadian Government. Though foreign bidders are likely to be limited to a 25 per cent stake, the *planned sale offers an opportunity* to gain a foothold in a profitable and *fast-growing* area of North American telecommunications.

BT is already expanding in Canada. Earlier this year it bought CTG, a small company which designs and *maintains private telecommunications* apparatus, and is awaiting UK Government approval for a £180m bid to acquire 51 per cent of Mitel, a private branch exchange maker.

Cable and Wireless, in which the British Government has just sold its *remaining 22.7 per cent interest*, operates international telecommunications businesses in several parts of the world, including Hong Kong and Bahrain. It also has several small US subsidiaries.

The Ottawa Government is expected to announce on December 20 a shortlist of companies which will *be asked to make firm bids and will* also publish regulatory guidelines for Teleglobe. A decision on the successful bidder is expected in the spring.

The bid proposals are based on several "policy assumptions" provided by the Government. The proposals include plans for operating Teleglobe but do not specify the prices which bidders would be prepared to *offer for it*.

Prospective bidders are still awaiting further government clarification on important points, including details of the planned regulatory regime and whether Teleglobe will retain its monopoly.

Teleglobe reported net *income of* C$42.6m on revenues of C$495m for the nine months ended September 30.

Because of the limits on foreign ownership, non-Canadian bidders are likely to form consortia with local *companies. ITT has already* joined forces with Federal Industries of Winnipeg, a diversified industrial group.

Neither BT nor Cable and Wireless has yet chosen partners. But a spokesman for Wood Gundy, the Canadian *securities firm advising* BT, said: "We are prepared to go with whomever else the (Canadian) Government wants for the remaining 75 per cent."

About a dozen companies and consortia have submitted bid proposals for Teleglobe. *All the others* are Canadian and include Canadian Pacific, *Power Corporation of Montreal* and Telecom Canada, the internal long-distance carrier owned by local telephone companies.

See Lex; BT results, Page 22

Intelsat to sell spare capacity on satellites

By Nancy Dunne in Washington

INTELSAT, the global telecommunications co-operative, has announced that it will, for the first time, sell or lease, on a non-pre-emptible basis, surplus transponders to be used for domestic services.

Mr Richard Colino, Intelsat director, said that 190 transponders had been identified as potentially available for domestic services on Intelsat V satellites during the period 1985-90. He said 21 countries had expressed interest in the transponders so far, and while *some* of *them* will be *simply* converting existing pre-emptible leases, most of them are new business or a significant expansion of existing leases.

Potential US private competitors have accused Intelsat of preparing to "dump" the transponders in order to block new competition. The US Government has *given* approval for private competition in international telecommunications, but no country has yet agreed to give "landing rights" to any would-be competitor.

The Intelsat board has established price ranges for the transponders, which, it said, were "equal to or greater than the prices" *necessary* to recover costs. Prices will range from $3.45m for a global beam transponder to $5.3m for a Ku-band spot beam transponder. Annual lease rates will range from $414,000 to $2.382m.

UK adamant over Lloyd's

Continued from Page 1

trading was being carried out on his behalf.

The Government faces a difficult choice about Lloyd's in view of the growing belief, not only at Westminster but also in the City, that further action would have to be taken.

Ministers may therefore be forced to make a more explicit statement about possible future legislation during the passage of the *bill if* they are to head off successful cross-party amendments *affecting Lloyd's. Ministers* will emphasise that their opposition to its inclusion is *entirely practical*.

The growing concern over the affairs of the City was reflected in several questions to the Prime Minister yesterday afternoon from Labour MPs over cases of alleged fraud.

In reply, Mrs Thatcher said that no one was more anxious than her Government that fraud should be tracked down and those responsible *for it convicted* and *sentenced*. She said that everything possible should be done to see that resources were available

World Weather

		°C	°F
Ajaccio	S	15	59
Akrotiri	S	21	70
Algiers	F	16	61
Amsterdam	C	3	37
Athens	S	14	57
Bahrain	F	23	73
Bangkok	S	33	91
Barcelona	S	13	55
Beirut	F	20	68
Belgrade	F	6	43
Berlin	C	5	41
Biarritz	S	9	48
Blackpool	F	7	45
Bordeaux	S	3	37
Brussels	C	3	37
Budapest	C	6	43
B. Aires	C	23	73
Cairo	F	24	75
Cape Town	S	23	73
Caracas	C	26	79
Casablanca	C	18	64
Copenhagen	C	1	34
Corfu	C	15	59
Dublin	C	11	52
Dubrovnik	T	11	52
Faro	S	15	59
Florence	—	—	—
Frankfurt	S	4	39
Funchal	F	20	68
Geneva	C	3	37
Gibraltar	S	17	63
Guernsey	C	10	50
Helsinki	C	-2	28
H. Kong	C	18	65
Innsbruck	Sn	-1	30
Inverness	C	8	46
Istanbul	C	8	46
Jersey	C	6	43
Jo'burg	C	22	72
Las Palmas	F	21	70
Lima	F	22	72
Lisbon	C	9	48
Locarno	S	3	37
London	F	10	50
Los Angeles	F	15	59
Luxembourg	Fg	-3	27
Madrid	Fg	3	37
Majorca	S	13	55
Malaga	S	16	61
Malta	—	—	—
Manila	C	28	82
Miami	C	25	77
Milan	S	7	45
Moscow	C	-6	21
Munich	C	0	32
Nairobi	—	—	—
Naples	—	—	—
New Delhi	F	17	63
New York	S	15	59
Nice	S	12	54
Oporto	S	12	54
Oslo	C	0	32
Paris	C	1	34
Prague	S	2	36
Reykjavik	F	3	38
Rio de J'o	S	37	99
Rome	S	14	57
Salzburg	C	2	36
Seoul	S	-2	28
Singapore	T	30	86
Stockholm	D	-1	30
Strasbourg	C	4	39
Sydney	F	25	77
Taipei	S	14	57
Tangier	S	16	61
Tehran	—	—	—
Tel Aviv	S	22	72
Tenerife	—	—	—
Tokyo	S	9	48
Toronto	C	1	34
Tunis	—	—	—
Valencia	S	10	50
Venice	F	9	48
Vienna	Sl	2	36
Warsaw	C	2	36
Zurich	C	3	37

Readings at mid-day yesterday:

C–Cloudy D–Drizzle F–Fair Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Reagan signs budget bill

Continued from Page 1

the view that he does not want to leave $200bn budget deficits on his record. Mr Alan Greenspan, a former chairman of the Council of Economic Advisers under President *Gerald Ford*, was *quoted* yesterday as saying: "It's fairly clear that Mr Reagan's *priorities* were unequivocably defence, tax cuts and a balanced budget in that order. He wished to have all three... with Gramm-Rudman-Hollings he does alter his priorities. Implicit [in the bill] is obviously a willingness to consider trading defence or even taxes against the deficit."

The White House, however, has only embraced the budget-reform plan reluctantly. Many suspect that the Administration's early support for the bill was based in part on a failure to understand its potential *implications for the defence budget*, implications that have led Defence Secretary Caspar Weinberger and Secretary of State George Shultz to voice their opposition. Similar fears are shared on Capitol Hill.

"*Gramm-Rudman* is a *suicide* pact. We are entering into an agreement to dismantle the defences of the United States" Senator Daniel Patrick Moynihan, a New York Democrat said.

THE LEX COLUMN

Biggest, and best for Wall Street

American companies can still make their British counterparts look like little league players in the merger game. RCA, which has agreed a $6.3bn offer from General Electric, is almost as large in size as all the current UK bid targets put together. But, while the numbers are bigger in America, the reservations being expressed about gigantism are common to both markets.

Just as Argyll would never have been allowed to lay its hands on Distillers in the days of more restrictive competition policy, US corporations are taking advantage of a more liberal anti-trust environment to *execute* mergers which would have been unthinkable a few years ago. Both GE and RCA were keen to emphasise yesterday that they were serving the national interest – by *forming* a group which could take on the Japanese competition in consumer electronics – but it is hard to escape the *suspicion* that the current merger wave on both sides of the Atlantic has as much to do with machismo management as it does with industrial logic.

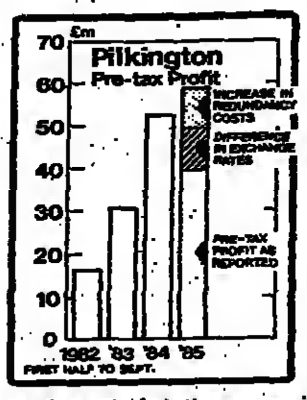
Both GE and RCA have spent the past three *years reshaping* their operations into a more coherent portfolio. Even before the recent Hertz disposal, RCA had been busy disposing of peripheral businesses. GE, meanwhile, has raised almost $5bn through asset sales, *much* the *most significant* of which was the Utah coal and energy division.

The disposal programmes have strengthened the balance sheets of both companies. GE's long-term debt will probably be not much above $800m at the year-end and, if *the pension fund surplus is counted* it could finance almost the whole RCA transaction from liquid assets.

GE shareholders should suffer little dilution of earnings and, if NBC is valued on the same basis as other broadcasting companies have been in recent *deals, GE is arguably* picking up RCA on the cheap. So, with RCA shareholders receiving a tidy capital profit, there is not much for Wall Street to worry about. Whether it makes much industrial sense to put the two companies together, and presumably start the restructuring all over again; is another *matter entirely*.

British Telecom

British Telecom was in a charitable mood yesterday. It could have upset *this morning's dealings* in Cable and Wireless by making gloomy forecasts about network traffic volume; it could also have thrown a spanner in the GEC and Plessey works by grumbling about System X. As it was, BT's second-quarter profits were slightly shy of



most forecasts but there was, it seems, nothing really the matter with traffic growth while System X was coming along nicely.

The second-quarter *pre-tax surplus* of £442m was *level-pegging* with the first three months but underlying annual growth is still running well into double figures. Higher capital spending resulted in a cash-neutral quarter and foreign exchange adjustments added to reported operating costs. Staff costs should, however, start to moderate as System X permits a reduction in numbers and, with the November price increases behind it, full-year profits of around £1.85bn still look attainable. *On the high* current year tax charge, that would leave the shares on a multiple of just over 11 times and a yield of 5.6 per cent at last night's 193p. Next to Cable and Wireless, hardly demanding.

Takeover panel

The full Takeover Panel is to be congratulated for deciding, just for once in a way, to overturn a ruling by its executive; it is only a pity that the exception had to be made immediately after the arrival of a new director general: a baptism of fire. But the battle between two merchant banks, Schroders and Morgan Grenfell, had turned into a critical debate between informal club rules and legal regulation.

By insisting that Scottish & Newcastle be held to the published closing date of its offer for Matthew Brown, and to the apparently final *closing time of 3.30pm, the panel* has upheld the most natural interpretation of its own rules on closing dates. If the extension to 5pm really had been meant to allow for receipt of acceptances as well as counting, it would surely have allowed extra time *for counting* the 5pm acceptances, and no bid need ever end. Both sides admit that the heart of the actual case was that S&N did not have the necessary shares by 3.30pm.

In taking this line, the panel has also implicitly set its face against the exploitation of loopholes in the *sometimes* rather loose drafting of the Takeover Code. In the first instance, that should be good for the chances of keeping the panel in its place as the arbiter of fair play in takeover disputes. *Before* yesterday's appeal-hearing at least one side had been talking of recourse to the courts; for the present each is willing in principle to admit the Panel's writ.

Yet there could be a further *slow* erosion of *its authority* in practice. The increasing complexity and *number of the rules* has already led to a litigious attitude by practical tacticians in the merchant banks. Whereas it used to be normal to eschew dubious moves, if they appeared to contradict the general principles of the code, it has recently *become the practice* to push favourable interpretations of the rules as far as they will go. Simply by resolving an ambiguity, the panel risks encouraging that approach; it is still in a tight corner.

Pilkington

Profits down 25 per cent, to £39.4m before tax; shares up 25 pence to 318p. The market's response to Pilkington's figures yesterday is either the product of past myopia – too many shares sold ahead of the results – *or of a suddenly* long-sighted belief that the company is bound to do better from now on. Without looking too far ahead, there is something to be said for this more *flattering* explanation.

Thus, there is at present no reason *to assume* that *currency translation* effects will cost Pilkington a further £8.5m when next year's accounts are drawn up (the relative strength of sterling would itself make that a tough proposition). Nor is it part of Pilkington's current plans to carry on with the same $10m level of redundancy charges above the line. Add a tightening of the European flat glass market, and the argument for a rising rate of underlying profits, even on the latest set of figures, is reasonably good.

Yet the core business, UK *flat* glass hampered by the high level of sterling, and the *imposition of* value-added tax on double glazing, has gone backwards – by a good bit more than the 3 per cent drop in total UK operating profit. There is a limit to the amount of labour which can be taken out of flat glass, and Pilkington may be fairly close to it. Productivity improvement is unlikely to continue for *ever*. The same is presumably true of the recent unexpected outbreak of peace in a European glass market which still suffers from structural overcapacity; but it is nice while it lasts.

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FINANCIAL TIMES SURVEY

SWITZERLAND

BANKING, FINANCE AND INVESTMENT

Mr Pierre Languetin, President of the National Bank. His suggestion that regulations covering capital exports denominated in Swiss francs might be due for revision, were countered by the banks which said this would mean that Swiss franc issuing business would be switch to London.

There is unease as to the effects deregulation of international financial markets will have on the Swiss banking system, but moves are being made to reform the industry to face this challenge. Meanwhile, circumstances have conspired to push banking profits to higher-than-expected levels. Though obviously welcome, these higher earnings have also been somewhat of an embarrassment to Swiss bankers as they step up pressure for tax concessions they see as necessary to ensure the longer-term future of the country as a financial centre.

Determined to maintain competitive position

By WILLIAM DULLFORCE

Capitalisation of Swiss Banks

(SFr m at end of the year)	Big Five* 1983	Big Five* 1984	All banks 1983	All banks 1984
Paid-up equity	6,108	6,706	15,860	17,224
Capital callable from shareholders of co-operative banks	—	—	1,162	1,237
Local authority guarantees to district savings banks	—	—	94	101
Open reserves	11,469	12,918	20,401	22,605
Latent reserves†	3,981	4,319	6,027	6,744
Subordinate debt	1,873	2,214	2,227	2,624
Undistributed profits	41	46	226	208
Total capitalisation	23,472	26,203	45,998	50,743
Stipulated minimum capital	21,893	24,870	38,789	43,111

* Bank Leu, Credit Suisse, Swiss Bank Corporation, Swiss Volksbank, Union Bank of Switzerland.
† Reserves disclosed to tax authorities but not published by individual banks; they do not include undisclosed hidden reserves.

Source: Swiss National Bank.

SWISS BANKERS are almost apologetic about the size of the profits they have made this year. A good year had been anticipated but events seem to have conspired to spin the Swiss turntable faster than ever.

The bankers are not, of course, complaining. But it is a little embarrassing to have to post such comfortable earnings when they are stepping up pressure on the Federal authorities for tax concessions they regard as essential to ensure Switzerland's longer term competitiveness as a financial centre.

Unease persists about the effect the deregulation of international financial markets will have on the Swiss establishment, although it has become increasingly evident this year that, prudently and circumspectly, the Swiss are reforming their positions to meet the challenge.

In the meantime good fortune has smiled on them in 1985. The economy is expected to record a 3 per cent growth, less than 1 per cent of the work force is unemployed, the current inflation rate is under 3 per cent and declining, and there is no budget deficit to worry about.

The National Bank has the money supply under control. The growth in the monetary base will be lower than the official 3 per cent target set for the year, and in line with the bank's wish to average annual growth of 2.5 per cent.

Against this domestic background it is not surprising that the decline in the value of the dollar this year has seen a strengthening of the Swiss franc and renewed appreciation abroad of its "hard currency" status.

The result has been a substantial flow of funds into Switzerland and through the Swiss banks. Turnover of the three biggest stock exchanges climbed by more than 30 per cent during the first 10 months with Zurich well in the lead, and the Swiss Bank Corporation general share index by November 30 was 30 per cent ahead of its mark at the beginning of the year.

This development has added credence to the argument always put forward by Swiss bankers that a sound economy and a strong currency will sustain the attraction of Switzerland as a financial centre.

The bulk of the money flow this year, however, has come from foreign institutions, principally American. It is a more volatile source of earnings for Swiss banks than the private investors or borrowers of medium and long-term bonds who have been their traditional customers.

The adjustments needed to service and capture the institutional business on a lasting basis preoccupy Swiss bankers and illustrate the pressure they are experiencing from the structural changes in world financial markets.

Stock exchange brokerage fees are being changed in January to reduce the costs for big clients and to allow competitive fee-setting for larger deals. After some shilly-shallying the technical updating of the Zurich, Geneva and Basle exchanges now appears to be well in hand.

It is not only pressures from abroad that are forcing the banks to adapt their practices. Domestic developments are prodding them in the samo direction.

The savings propensity of its citizens has been the foundation of the massive placing power of Switzerland's banks and the backbone for its capital exports. Last year the Swiss were still the world savings champions with average savings and term deposits at the end of the year of $13,006 per inhabitant in domestic banks. They were well ahead of the Japanese with per capita savings of $9,763 and of US citizens with $7,337.

From the beginning of 1985, however, staff pension schemes have become compulsory for all Swiss companies and the banks say they can already detect a decline in private bank savings. Again they have to gear up to serve institutional investors, the insurance companies and pension funds whose business is also being courted by foreign banks.

The sensitivity of the Swiss banks to changes prompted by developments abroad and their reluctance to abandon their traditional advantages were highlighted in September, when Mr Pierre Languetin, the president of the National Bank, suggested that regulations covering capital exports denominated in Swiss francs might be due for revision. The retort from the banks was immediate; revision would mean that the Swiss franc issuing business would switch to London.

It has been a dogma that the Swiss franc issues must be managed by banks domiciled in Switzerland. Safeguarding the currency, it is argued, necessitates such restrictions, without which the National Bank would have to change policy and look for instruments to control interest rates.

Mr Languetin hastily explained that no immediate action was planned. His remarks had been prompted by pressure from foreign banks seeking to make dual currency issues involving Swiss francs and a perception that in the long term the National Bank might not be able to count on co-operation from other central banks in preventing rogue Swiss franc issues.

The fact is that much business, though not Swiss franc capital issues, is already being done abroad. This is not surprising in view of the deregulation of financial markets and Swiss banks' determination to take their share of the cake, demonstrated by the build-up in their assets abroad and by their investments in brokerage houses in London.

Mr Robert Studer, executive vice president of Union Bank of Switzerland, commenting recently on the strength of the Swiss financial centre, pointed out that the banks' reports on their earnings did not accurately reflect the stronger growth in business abroad in comparison with domestic operations.

The big Swiss banks are operating increasingly as multinational corporations. In part they are motivated by the desire to avoid domestic tax and fiscal restraints, although that of course is not the principal motive.

Their knee-jerk reaction to Mr Languetin's hint of changes to the regulations governing Swiss franc issues was based on one very valid point: if regulations were changed without an accompanying easing in the stamp duty, part at least of the business now running at some SFr 30bn a year would be

CONTINUED ON NEXT PAGE

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Swiss Banking 2

Looking beyond soaring profits

Commercial Banks

DAVID LASCELLES

SWISS BANKERS have made an art of understating their good fortune and overstating the bad. This may explain the paradox that faces any visitor to Zurich's Bahnhofstrasse this year.

Profits are booming like seldom before. After pushing their earnings up by 17 per ceot last year (oot bad in a country with negligible inflation), the country's Big Five seem set to repeat the trick this year, confirming the popular foreign view of Swiss banks as big, solid and unstoppably prosperous.

At the same time, bankers like to give the impression that they are harassed by excessive taxation, regulatioo (actual or threatened), and an unfriendly world. "Everyooe here is anti-bank. Even the National Bank is anti-bank," grumbles ona banking chief executive—an utterance that rings oddly in foreign ears, particularly after last year's convincing rejection in a national referendum of a move to reduce bank secrecy.

Even this banker is prepared to admit that bis earnings will set a record this year. And many bankers concede that the political climate has changed in their favour. According to Mr Hans Mast, executive vice president of Credit Suisse, "Politicians are asking themselves what should and could be done to improve the international competitiveness of tha Swiss banks in order to maintain them both as Swiss major taxpayers and increasingly important employers."

In many ways, this suggests reassuringly that no great shocks have hit the Swiss banking industry. The Swiss have always viewed their banks with mixed feelings—fearing their power but respecting their strength. Meanwhile bankers have got on with the only business they know—making money in one of the world's economically and politically most stable countries.

In another sense, things are changing. The growth in bank assets and profits is not coming to the same extent from traditional business like lending, though that is doing well as the economy continues to prosper and the need for bad debt provisions eases. Increasingly, banks are making their money in the financial markets: servicing the boom on the stock exchange and handling the explosion in borrowing on the Swiss capital markets.

As "universal banks" they are well placed to do this, acting as stockbrokers, investment managers and merchant bankers all at once. But iI does expose them to new pressures. Capital markets are a more volatila source of earnings which could be worrying in a country where people are accustomed to an ever rising trend in bank profitability. These are also markets in which foreign banks are well equipped to compete—and do so.

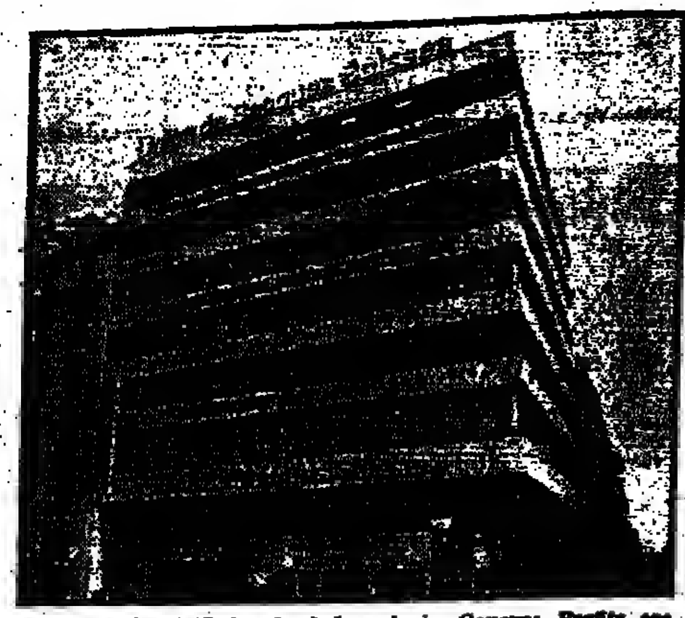
"Let's not kid anybody. The Swiss banks hava great atrengths. But they can't consider that a prime name is automatically theirs any more," said a foreign merchant banker in Zurich. "We can only lose market share," admits a Zurich banker who says Swiss banks must now become more aggressive.

"Swiss banks are in excellent health. Their concerns are more about the future than tha present" said Dr Georg Rich, chief economist of the National Bank.

Swiss banks are also worried by what they consider to be the tightening constraints on the growth of their business. At one end of the scale, these inclode the mounting shortage of trained banking staff (worsened by Switzerland's tight immigratioo rules) and limits on office space in downtown Zurich. At the other there are the urgent questions of bank taxation and regulation, all of which will have to be resolved in the political sphere.

The banks have marshalled with some force the argument that taxes, particularly those which affect transactions in securities and gold, are driving Swiss banking business abroad. Certainly, the tax on new issues of securities is only sustainable because of the ban which the National Bank has placed on Swiss franc issues outside the country.

Were that ban ever lifted, bankers say the new issue market would immediately move to London unless the tax was lifted as well, though if and wben liberalisation will occur has been made no clearer by recent statements from the National Bank.



"Jnion Bank of Switzerland branch in Geneva: Profits are booming as seldom before

Similarly, there is a case for lifting transaction tax on securities trades between foreigners—which are usually arranged abroad anyway. While the imposition of a withholding tax on dividends and interest discourages tax evasion, it has also had the effect of stifling the growth of the Swiss money markets.

These and other tax questions are now being examined in Bern following a motion in the national parliament. But Mr Otto Stich, the finance minister who relies heavily on these taxes for the federal budget has asked where he is to make up for the loss of revenue if they are reduced. As yet, ba has not been given a clear answer.

The Big Five

Net income (SFr m)

	1983	1984
Union Bk. of Switz.	506	583
Swiss Bank Corpn.	429	503
Credit Suisse	352	417
Swiss Volksbank	62	75
Bank Leu	35	39

The banks are in a slightly embarrassing position since it is hard for them to argue that taxes are costing them business when they ere doing so enormously and obviously well. So they have had to base their case on tha future, and on the mounting challenge from other financial centres, notably London.

"Profits do not come automatically. They will not always be there," warns Mr Andreas Hubschmid of the Swiss Bankers Association which is leading the bankers' offensive.

On the regulatory front, the banks' role in the hazy world of international private finance contioues to excite political interest despite the referendum vote. Money laundering, insider trading and secrecy are among the issues, and there is an initiative to amend the Swiss banking law, though this is being resisted by Swiss bankers wbo believe it is unnecessary.

The main provision of a new law would enshrine in statute the present informal agreement between the Swiss Bankers' Association and the National Bank of 1982 in which the banks pledged to check out the identity of their customers, and not abet flight capital.

But bankers argua that the agreement contains concepts, like beneficial ownership and flight capital, which are not defined io Swiss law and this would make any law incorporeting them unenforceable.

The Bankiog Commission also believes that there is no need to change the law. It can enforce the preseot agreement by seeking management changes when banks flont it.

Another question the Commission must address is bow to handle the Swiss banks' growing off balance sheet business. Like other international banks, the large Swiss banks have beeo participating in note issuance facilities in the Euromarkets which have brought them contingent liabilities.

Although the strong capitalisation of Swiss banks means they are well cushioned, they may be required to back these facilities with capital as part of the international effort by bank supervisors to bring this burgeoning business under some sort of supervisory control. It seems unlikely, though, that the Swiss will require as much as the 0.5 weighting demanded by the Bank of England.

Determined to maintain position

CONTINUED FROM PAGE 1

switched to London.

The stamp duty has become the key issue, though by no means the only ooe, at stake betweeo the powerful bankers' lobby and the Federal authorities. The current rates at which the duty is applied are considerably higher than comparable charges in London or Luxembourg.

The Finance Ministry argues that the Swiss rates cannot be very inhibitive since its receipts from the duty are steadily increasing end are estimated to reach around SFr 2bn this year. The banks retort that the higher revenue derives largely from the increase in Swiss franc capital exports, which are restricted to the domestic market, and from whal might be a temporary surge in stock exchange business.

The banks have the support of the National Bank, which believes that some of the business now done in London would be repatriated if the duty were reduced. It also has an interest in promoting e Swiss money market, to which the stamp duty is a prohibitive obstacle.

Mr Otto Stich, the finance minister, has so far stuck to his positioo that he cannot reduce the stamp dnty until he can be sure of obtaining an alternative soorce of revenue. Ooe complication is that in referendums the Swiss electorate has twice rejected the introduction of a value added tax.

Other matters outstanding between the banks and the Federal authorities focus on the revision of the Banking Act. The Government dropped the idea of a full-fledged revision after the defeat in a referendum last year of a constitutional amendment that would have considerably eroded Switzerland's treditional banking secrecy. Il is still considering a nartial revision, but in the face of opposition from the banks it has not yet made up its mind to submit a bill to parliament.

One issue on wbich the ministry, the big banks and the National Bank agree is the need for grealer control of the proliferating finance companies in Switzerland. Currently they require no authorisation, although 103 companies which solicil deposits from the public have to report to the National Bank and are subject to its regulations for capital exports.

The National Bank is worried aboul finance companies refinancing through the interbank market. while the Swiss banks would like a clearer definition of the reciprocity wbich Switzerland demands from other countries in allowiog foreign banks to be establisbed.

The banks feel that the Federal Banking Commission has interpreted the reciprocity rules far too liberally in allowing foreigners to set up finance companies in Switzerland. They have their eyes on the Japanese in particular.

Swiss banks can be expected to start publishing prospectuses for notes issues next year. The banks have accepted the argument of Dr Markus Lusser, the vice president of the Natiooal Bank, that they should supply the minimum information required by law for bonds for notes as well. The Banking Commission wants investors to receive more than the minimum but a compromise eppears to be in the pipeline.

In their long-term forecasts Swiss bankers express concern about the international debt situation but their worry is more about the possibility of a chain reaction from a major defaulter affecting the world financial system than about their own exposure.

Stiff capital reserve requirements and an agreement with the Banking Commission that they should set aside provisions covering 30 per cent of their credits to "problem countries" give the Swiss banks confideoce that they will not be the first to fall.

Of their total net credit balances with foreign countries at tha end of 1984, totalling about $125bn, some 75 per cent were with major Western industrialised countries including Japan. The comparable figure for US banks is about 55 per cent. The Swiss banks have been far more restrictive in their iending to Latin America.

They are relatively more heavily committed in South Africa where at the end of 1984 they had just over $2bn outstanding, but there Dr Fritz Leutwiler, former president of the National Bank, is acting as international medialor.

The Banking Commission has been talking to the banks about provisions for their South African debt. One banker hoped only half jokingly that the Commission would persuade them to make large allocations: it would help to trim this year's swollen profits.

On balance, then, the Swiss are sitting pretty for the time being. There will again be substantial allocations to those large, undisclosed reserves from this year's bank accounts. Moves bave been started, lale but probably not too late, to keep Switzerland competitive and, should the tax anthorities not play their part, the big Swiss banks at least bave staked out their positions abroad.

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Largest Foreign Banks in Switzerland

Ranking		Balance sheet SFr m
1.	Trade Development Bank	7,603.3
2.	Banqne Paribas (Suisse)	5,561.9
3.	Banca del Gottardo	4,413.8
4.	Discount Bank (Overseas)	3,513.9
5.	United Overseas Bank	3,165.4
6.	Banco di Roma per la Svizzera	2,827.4
7.	Handelsbank NW	2,744.6
8.	Nordfinanz-Bank	2,666.9
9.	Dow Banking Corporation	2,554.2
10.	Morgan Guaranty Trust Company	2,200.0

Source: Banca del Gottardo.

Marked change in character

Foreign Banks

DAVID LASCELLES

OVER THE last 10 years, the number of foreign banking institutions in Switzerland haa grown from about 120 to nearly 200, making it one of tha world'e largest financial centres. But impressive though this growth is, the key statistic lurks behind the bald total.

Of that increase, only 20 were regular banks. More than 50 came in the form of what are rather clumsily known as "finance companiea." These are what might loosely be called investment banks: companiea that specialise in the capital markets. Many are subsidiaries of banks, but some elso belong to foreign securities or brokerage houses particularly from Japan whose corporatione are borrowing beevily on the Swiss capital markets.

This boom in quasi-banks bas brought about a sharp change in the cbaracter of the foreign banking community. According to the Association of Foreign Banks in Switzerland, these now account for 73, or more than a third, of foreign banking institutions in the country, compared with only one sixth e decade ago.

It is also causing more foreign banking business to be concentrated on Zurich, wbere most of the quasi-banks are located.

Traditionally, foreign banking bas tended to be fairly widespread in Switzerland. The biggest foreign-owned banks are in Geneva, including Trade Development Bank, which is part of the American Express group, and Banque Paribas (Suisse). Lugano also has its big foreign-owned banks in Banca del Gottardo, acquired last year by Sumitomo Bank and Banco di Roma per la Svizzera.

Zurich's leading foreign banks are Handelsbank, whicb is part of the National Westminster Bank gronp of the UK and Nordfinanz-Bank, owned by a Scandinavian consortium beaded by Kansallis-Osake-Pankki of Finland. Broadly, half of foreign banks are European, a quarter American, and one sixth Asian.

But thongb there heve been some foreign acquisitions recently (Gottardo being the most striking since it beralded the arrival of the Japanese in a big way), many of the largest international banks are present in several guiees.

Typically, they bave three operations. The most usual is a branch through which they run their treasury and foreign exchange operations, and make loans. The attraction of a branch was increased last year when the Swiss banking euthorities ended the requirement that e branch must have its own capital. This means that branches can now operate on the basis of their group capital, giving them mnch greetar muscle.

Most foreign bank's lending activity is trade-related or to multi-national companies. The domestic market, including tha retail market, is so dominated by the big Swiss banks that foreigners devote little effort to it.

Foreign banks are estimated to account for less than two per cent of domestic Swisa loans. Their share of the foreign assets and liabilities of the Swiss banking system is, not surprisingly, much higher—about one fifth. But the Association of Foreign Banks is quick to point out that they account for only a small part of the cross-border flow of funds—at times a politically sensitive point.

Many foreign banks also bave a special Swiss subsidiary to handla their private banking business.

Although it is becoming more competitive, private banking remaina a lucrative activity for foreign banks: most of the revennes are fee- rather than balance sheet-based, and eince cliants invariably re-invest their income, it grows by itself.

Tha third operation is the booming markets business, for which many banks beve now also aet up special merchant banking subsidiaries. But the rusb by foreigners to get into this market has, not surprisingly, caused the prudent Swiss to wonder what to make of it, particularly insofar as the ectivitiee of brokerage bouses are concerned since these are not supervised as banks.

The National Bank has been asking wbether finance bouses sbould be drawn into the scope of banking supervision, but has not received e clear answer. Tbe Banking Commission in Berne, Switzerland'a banking authority, seems to beve doubts, and the Swiss Bankers Association, the banking trade group, does not want "another 100 banks in the country" as an official there put it.

The Swiss banks themselves bave proposed a partial solntion: if foreign bank-like finance companies are to lead manege securities issues, they should be subject to the same capital requirements as banks. They should also demonstrate competent management and should have reciprocal arrangements for Swiss banks in their own countries.

This last requirement is an obvious stab at the Japanese who have swarmed into the Swiss market, but whose own market is notoriously difficult for foreigners to penetrate.

More generally, reciprocity remains a major condition for entry to the Swiss banking market. The failure of any Swiss bank to win a licence for the newly liberalised Australian market has raised questions about the futura of Grindlaye Bank, the recently acquired subsidiary of the Australia and New Zealand Bank which bas two branches in Switzerland. Grindlays will have to go by the end of next year unless the Australians edmit the Swiss.

Some foreign bankers complain about invisible barriers to the Swiss market, notably on the personnel front. It is extremely difficult for foreign banks to get work permits for their own people (something that applies to all businesses, not just banking).

Bnt the shortage of suitable Swiss staff seems particulsrly acuta at the momsnt, and this is driving up salaries. Some Swiss bankers even admit it is a factor pushing Swiss banking business abroad.

A special grievance emong foreigners is that in order to conduct securities trading on the Zurich stock excbange, the country's largest, they have to have a licenceholder wbo is not just e Swiss citizen but a resident of Zurich with extensiva securities experience. Needless to say, such people are in great demand and can virtually name their own price.

But these are small irritants compared to the enormous appeal of the Swiss market at the moment wbere everything seems to be booming, not least foreign bank profits. One of the few casualties has been Wozchod Handelsbank, the Soviet-owned hank which had to be reorganised after coming a cropper in the gold market. Bnt that was a apecial case.

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Selective approach is taken to forays abroad

International Operations

DAVID LASCELLES

SWISS banks are venturing overseas, but cautiously, picking their markets with care.

It is a frequently overlooked fact that Switzerland's largest banks are comparatively thinly represented outside their own country: foreign banking business, particularly of the private kind, has tended to seek thsm out instead.

None of them have the international range of the big US, Britisb and German banks. Union Bank of Switzerland (UBS), the country's biggest, bas branches and subsidiaries in only ten countries, the first of whicb was opened barely 20 years ago in London. Swiss Bank Corp, the next largest, has a longer overseas tradition: it opened np in London in the last century, bnt even now it bas fewer than a dozen foreign branches.

But Swiss bankere, not surprisingly, view this low foreign profile as an asset. It means they are not saddled with expensive branch networks like many of their foreign rivals (or for that matter the sometimes questionable bueiness thet goea with them) and can afford to be much more choosy as to wbere they go now—at a time wben the internationel banking markets are changing fast.

Dr N. Senn, president of UBS's executive board, said at a press conference last month: "In contrast to other internationally operating banks—for example US banks—our foreign policy is based on the fact that we do not want to be simply another bank that operates all over the world, bnt a Swiss big bank with international operations."

The Big Three banks all seem to beve broadly similar aims: to conduct wbolesale business in the main financial centres, New York, London and the Far East, and to avoid small scale retail operations that require a lot of cost and effort in individual markets.

They back this up with repreaentative offices in aecondary centres to keep in contact with their customers and scout for new business.

Tha empbasis is on being "selective" and "not losiog our Swiss character," according to Mr Mathis Cabisllavetta, bead of the international sida of UBS, and on doing things the Swiss beve always been good at, particularly in investment banking.

And they are stirring. They bave made some big foreign acquisitions in the past 18 months, and Volksbank, the fourth largest of the Big Five has just opened its first foreign brench, in London, in order to expand both its lendiog and its Euromarket business.

Foreign assets now account for about 40 per cent of the total assets of the Swiss banking system, with this share rising closer to 50 per cent among the biggest banks. Thia bas made their balance sheets mnch more vulnerable to fluctuations in tha currency markets, particularly the dollar, but bankers claim that their capital ratios are strong enough to withstand them.

Where the Big Three have differed greatly is in their approach to the international capital markets. Here Credit Suisse, the smallest of the Big Three, bee gained a seemingly unassailable lead through Credit Suisse First Boston, its London-based joint venture with First Boston which dominetes the Euromarkets.

> Foreign assets account for 40 per cent of the total assets of the Swiss banking system, with the share rising closer to 50 per cent among the bigger banks.

In retrospect, this operation, which was formed in 1979, looks surprisingly bold. But it was far-sighted and has paid off handsomely.

Credit Suisse recently added to its international securities securities activities by buying Effectenbank - Warburg, the German merchant bank which is a member of the Frankfurt Stock Exchange and ective in German investment syndicates.

It was only last year that UBS made its big catch-up move by arranging to buy Phillips end Drew, e leading London stockbroking firm which will give it a major position in the UK and international securities markets. UBS-P&D will be e different operation from CSFB, though: the emphasis will be on equities and investment management rather than Euromarket business, though this will obviously be included.

Despite many rumours, Swiss Bank Corporation bas not made any major ecquisitions, but intends to build up its London-based merchant benk, Swiss Bank Corp Interoational.

All the big Swiss banks are looking carefully at their northern neigbbour, mainly with an eye to the investment banking opportunities arising from the liberalisation of the German capital markets. Following the Credit Suisse acquieition, UBS has hinted it may buy a bank too.

They also bave their sights on the Far East. Two banks, Credit Suisse and UBS were among the nine foreign banks recently granted trust banking licences in Japen, and Swiss bankers are also hoping to get Jepanese aecurities licencee, thougb that may be trickier. Japan is certainly a major target for Swiss banks: UBS already has aeven distinct operations there. Hong Kong is attractive as a potential entry to China.

Swiss banks also need foreign offices to handle their buge operations on the foreign exchange markets, where Zurich bas now overtaken Frankfurt in terms of volume traded.

What is less clear is the extent to wbicb Swiss bankera ara moving abroad to escape the tough tax regime in Switzerland. UBS gave this as one of the reasons for acquiring Phillips and Drew—so thet it could move some of its securities business to London.

But wbile it is certainly true that texes on securities turnover and gold are driving business out of Switzerland, some observers believe Swiss bankere would beve to transfer securities operetions to London anyway since it is the centre of the Euromarket. It just gives them another opportunity to utter their long-stending compleints about Swiss taxes.

In the international lending business, the policy of Swiss benks ie to stick mainly with the advanced industrialised countries—and aervice their own multinational corporate customers.

Their slowness to casb in on the Third World lending boom in the 1970s has teft them with en enviably low exposure to Latin Americe—about 5 per cent of total assets. The Banking Commission has required 20 per cent provisions against these toans—which is bigh by interoetional stendards — and most banks claim to have set eside even more.

But unlike meny countries, Switzerland etlows all reasonable provisions as a tax deductible business expense whicb gives banks an additional incentive to make tbem. Smaller banks like Julius Beer have sold off their Latin American loans eltogether.

Even so, Swiss benkers do not sound perticnlarly optimistic about prospects for resolving the Third World debt crisis, and they ere unlikely to agreo to increase their lending under the proposals put forwerd by Mr Jemes Beker, the US Treesury Secretary, at the recent IMF meeting until governments and international agencies lead the wey.

The factors that make Switzerland a leading financial market

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Customer demand leads to policy rethink

Cantonal Banks

JOHN WICKS

IN THE teeming world of Swiss banking, the 29 cantonal banks are second in importance only to the Big Five. With over 1,300 branches around the country, they last year accounted for almost one-fifth of the national balance-sheet total. Four of them—those of Zurich, Berne, Lucerne and Vaud—are in Switzerland's "Top Ten" list and seem likely to stay there.

In addition to their significance, they are doing very well for themselves. According to Mr Hans-Jurg Gallusser, management chairman of the Basle Cantonal Bank, 1985 will prove a "very good year" with good results for every one of the State-backed institutes.

Like their big-bank competitors, these have been benefiting from a combination of increased interest earnings and a jump in commission business.

For all that, the cantonal banks are re-thinking their position. This does not mean deserting their home territories; nor could they, since they are controlled by the cantonal Governments and subject to statutes tieing their operations to the common weal. The point is, as Association of Swiss Cantonal Banks chairman Dr Lukas Burckhardt said in Zurich last month, that "the needs of the customers have changed."

What this means is that the local giants have got to grow more like their Big Five competitors. The big banks, with their comprehensive range of services, have for years been gnawing away at the cantonal banks' market share. "We must become a stronger force in universal banking," says Dr Burckhardt.

In fact, cantonal banks have a long tradition of full-service banking. In a highly-industrialised and financially sophisticated country such as Switzerland, they would not have got far without it. Nevertheless, cantonal banks are still best known in the public as market leaders in the traditional fields of savings accounts and mortgages.

As necessary for local needs as these operations are, they are not always the most lucrative. This is particularly the case at present, when many banks are having to finance 5½-per-cent mortgages with 5-per-cent money. The old-time 3½-per-cent savings book is simply not selling very well.

For the Association members, such traditional business remains of prime importance. Over half their balance-sheet assets are in the form of mortgages and mortgage-backed loans, while savings and deposit accounts plus the banks' own medium-term notes make up more than half of their liabilities. In the case of smaller cantonal banks, these percentages are often substantially higher.

The fact that they have even lost some ground in overall market share here, though, proves that outside competitors with

> **The local giants will have to grow more like the big banks, with their comprehensive range of services.**

special services can also take over typical bread-and-butter business. To stand still would be to fall back for the cantonal banks.

The need to diversify is, however, also a considerable opportunity for the cantonal banks. Like their counterparts in other forms of Swiss banking, they place no particular value on further growth in their balance sheets with the resultant need for new equity. Non-interest operations outside the balance sheet also tend to be much more profitable.

Last month, the cantonal institutes took an unprecedented step in diversification by agreeing to buy a majority stake in Omnibank from the Swiss industrialist Werner K. Rey. Although this is based in Baar, Canton Zug, it has a German private-bank subsidiary, a London branch and a representative office in Hong Kong; a further representation is to be opened in New York.

Omnibank is to specialise in such non-interest business as securities and foreign-exchange trading and letter-of-credit operations, limiting its credit activities largely to the short-term Euro-market.

At first glance, this new international arm seems to clash with the rules laid down by most cantons to restrict their house banks' foreign commitments. In fact, this difficulty has been avoided by the fact that Omnibank is wholly Swiss and will do very little balance-sheet business; local statutes limit the foreign share in balance-sheet assets, so do not apply.

It appears probable, however, that this proportion will also increase. Most cantonal banks have foreign assets well within their limits, some of which might in time be raised. At the end of August, cantonal banks accounted for only about SFr 6.5bn of the SFr 200bn foreign assets in the combined balance-sheets of 71 banks reporting to the Swiss National Bank.

"If the cantonal banks do not want to lose market shares at home, they have to find a suitable way to expand their activities abroad," says Mr Gallusser. "This is in no way a contradiction of the cantonal responsibility laid down in most statutes." Like his colleagues, he sees the commission sector as the most promising form of expansion.

At the same time, the banks are working hard to meet the growing volume of purely domestic business. The most recent development here was the announcement last month of a joint savings scheme called "Sparen 3." This is an immediate reaction to the Government's new tax-break offer for so-called "Third Pillar" capital formation; this refers to private savings programmes outside the statutory old-age and employee pension systems.

Co-operation between the cantonal banks is nothing new. For years now, they have jointly operated an underwriting syndicate for public bond issues, a central mortgage-bond institute (Pfandbriefzentrale der Schweizerischen Kantonalbanken), an export-credit syndicate, two investment trusts and a number of subsidiaries handling pension fund accounts.

Apart from individual risk-capital programmes the cantonal banks have also entered into "multi-lateral" agreements such as those for small-scale financing and consulting operations—leading among them the Geneva-based Gesplan Analyse et Réalisation—and in the leasing sector.

The expansion of the cantonal banks in the past few years—their balance sheet total has just about doubled during the past decade—has meant a permanent search for new funds. As profitable as the banks have been for the cantons which back them, this has by no means led to a corresponding growth in capital stock.

The cantonal banks are, indeed, major borrowers on the domestic bond market (apart, incidentally, from being prestigious institutional investors and in many cases stockbrokers). So far this year bond issues by cantonal banks have amounted to well over SFr 1.2bn—quite apart from the SFr 750m borrowed by the Pfandbriefzentrale.

The banks are generally accepted as pacemakers on the market, as was the case last months when the Cantonal Bank of Berne announced a 4¾ per cent coupon for its next float and set the scene for a reduction in what had been a 5 per cent standard.

This is now being accompanied by a slow trend for cantonal banks to go partially public. The cantonal banks of Zug and Jura and the two Vaud cantonal banks—Banque Cantonale Vaudoise and Crédit Foncier Vaudois—are all joint-stock companies with a minority held by the public, while the Berne and Grisons banks have in recent years successfully issued non-voting shares.

Now the youngest of the cantonal banks, that of Jura is this month to be the first to issue warrant bonds; these will be convertible into a total of 25,000 new bearer shares. Here, as elsewhere, cantonal banks are showing a readiness to adapt to a changing market.

Kurt Meier, general manager of the Cantonal Bank of Berne and one of Switzerland's new generation of local bankers.

Profile: Kurt Meier

By JOHN WICKS

Innovation to the fore

MR KURT MEIER, general manager of the Cantonal Bank of Berne, is one of the new generation of Switzerland's local bankers. He and like-minded colleagues at the head of other cantonal institutes are proving that these "State banks" can serve their bailiwicks with much more than the traditional mortgages and savings books. Today, more than ever, innovation is the name of the game.

Although Canton Berne backs his operations with a full guarantee, Mr Meier is far from being a bureaucrat. Nor does the Government expect a civil-servant approach; Berne is one of the few cantons which earns taxes from its house bank, as well as pocketing a very useful 8 per cent annual dividend on its capital stock.

Like many of his counterparts in other parts of the country, Mr Meier is a graduate of private-enterprise banking. He started his career in 1946 as an apprentice with Credit Suisse in the frontier town of Kreuzlingen, then served in the Bienne and Berne branches of Swiss Bank Corporation from 1949 to 1967 with the bank's later chairman Mr Hans Strasser.

He joined the Cantonal Bank of Berne as a headquarters manager in 1968 and became a general manager ten years later. In this position, Mr Meier has become one of the leading representatives of the cantonal-bank sector—as a member of the Swiss Bankers' Association board, chairman of the cantonal bankers' own investment-fund management firm IFAG and now chairman of the jointly-controlled Omnibank.

It is fitting that one of the best-known spokesmen of the new directions in cantonal banking should come from what has traditionally been one of Switzerland's most innovative banks. Mr Meier's institute, which celebrated its 150th anniversary last year, was the first of the cantonal banks and also one of the first universal banks of any kind in the country.

It was the first cantonal bank to issue participation certificates, SFr 50m of which are listed on the Berne bourse, and is the only one to belong to the Big Bank underwriting syndicate—indeed, Cantonal Bank of Berne presides over this group as a "neutral." It also serves as sole manager of the Swiss Bankers' Traveller Cheque Centre.

For all that, Cantonal Bank of Berne—like its smaller and quite separate sister Hypothekerkasse des Kantons Bern—is very definitely a local bank. In the cantonal sector, there is virtually no "inter-state banking" in Switzerland, each of the 29 institutes staying on their own turf.

Things will stay this way, too. "Our strength lies in our roots," says Mr Meier. Consequently, an important part of the bank's business (though less than elsewhere) is accounted for by mortgages, savings accounts and loans.

The bank also has a stake in Bernese business, owning part of the railway system and the power utility. It was also one of the participants in the successful programme to rescue the Asuag-SSIH (now SMH) watch industry giant.

All this has not precluded the development of new activities, however. Indeed, this became a matter of some urgency when the bank, like its counterparts in many other parts of the country, found it was losing market shares to the national operators. These had entered in a big way into such traditional cantonal-bank business as mortgages, at the same time offering a full range of financial services.

Cantonal Bank of Berne has a substantial balance sheet, which totalled SFr 9.4bn by the end of September. But this is not Mr Meier's sole criterion by any means. Like so many other Swiss bankers, he is most interested in building up non-interest positions off the balance sheet.

His bank has already been quite successful here within Switzerland. He points out, though, that "everything is getting more international." Bernese clients, too, want to make use of opportunities in foreign markets. At the same time, Mr Meier would like to see an increase in the foreign share of balance-sheet assets, currently running at a total of about 6¼ per cent.

All this explains his interest in Omnibank, the Baar-based institute in which the cantonal banks acquire a 60 per cent stake as of January 1. Speaking as its chairman in Zurich last month Mr Meier pointed out the opportunity this will present for cantonal banks to offer their "existing internationally active clients the necessary services and information." And this without reducing the entrepreneurial independance of any shareholder.

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Modernisation to assure success of markets

Stock Exchanges

WILLIAM DULLFORCE

THE THREE biggest Swiss stock exchanges — Zurich, Geneva and Basle — have had a splendid yaar. Prices have scaled one new peak after another, foreign investors have been very active, and turnover has swelled by well over 30 per cent.

Yet tha most significant developments of the year may well have been not in current performance but in decisions about the future. The three exchanges appear at last to have got into their stride with e joint programme of modernisation which should belp to assure Switzerland's plsce as an important financial centre.

For the record, by the end of November this year turnover st the Zurich stock exchange had reached SFr 362.8bn ($170bn) compared with SFr 308.3bn for the whole of 1984. At Geneva trading volume in the first 10 months was SFr 171.7bn sgainst SFr 167.2bn for the whole of last year, while Basle had reached SFr 68.4bn by the end of November compared with its 1984 volume of SFr 67.6hn.

The increases in turnover during the first 10 months ranged from 21 per eent et Basla to 43 per cent in Zurich. Meanwhile, the Swiss Bank Corporation general index recorded 542.2 at the end of November compared with 405.2 on the last day of trading in 1984, showing a rise of 34 per cent.

The Swiss market has no doubt benefited from the general euphoria on the Europeen stock exchanges this year, hut it has also displayed some hullish factors of its own, not least being investors' renewed appreciation of the Swiss franc as e hard currency.

Inflation in Switzerland is low and under control, the economy es e whole has performed well with an expected growth rate of 3 per cent, and the profit recovery started last year among Swiss corporations has persisted strongly into 1985. Generally, price-earnings ratios especially on registered shares, continue to be low.

The outstanding feature, however, has been the strong demand from foreign investors, prompted largely by withdrawals from US securities as the dollar declined in value. The msin players have been US and British institutions, demand from whom this year was descrihed by one Zurich hroker as unbelievahle.

The flowback phenomenon noticed on some markets, under which foreign issues of local companies tend lo return home, was no problem in Switzerland, the broker said. Any shares returning to Zurich would he snapped up by US pension funds. The hroker had taken 59,000 shares of Swiss Banking Corporation's new issue this year and placed all but 8,000 of them with US institutions.

Euphoria reeched e peak this autumn with reports that the 1984 statistics puhlished by the International Federation of Stock Exchanges showed Zuricb to be the world's third largest exchange after New York and Tokyo. This, alas, proved to be e case of comparing epples with pears.

The Federation's figures for Zurich included bonds and over-the-counter business. The statistics for Zurich are also based on payments of dues to the cantonal authorities which cover trading by all 210 licensed firms, including their foreign deals.

Mr Wolfgang Winter, writing in *Bilanz*, the Swiss monthly business magazine, tried to compare like with like and concinded that Zurich most probahly should be ranked eighth in the world.

Attempts to improve the international competitivity of the Swiss bourses resulted this year in agreement to change the convention governing brokerage fees. The new commission structure which sbould come into foree on Jannary 1 will reduce sharply the cost for institutional investors making large transactions.

The commission starts at 0.8 per cent of the sum of the transaction for Swiss shares and at 0.6 per cent for Swiss franc bonds. The charge is 1 per cent for foreign shares traded in Switzerland hut becomes cheaper once the deal has passed SFr 50,000.

The most striking change is that fees for transactions exceeding SFr 2m in shares and Swiss bonds become freely *negotiable* — a recognition that this was anyhow tending to become common practice. Fees on currency bond deals will be freely negotiable from SFr 1m.

Trading in notes has been incorporated into the new convention with e basic commission of 0.6 per cent, becoming freely negotiable after a deal reaches SFr 250,000.

The alteration to the cost of trading for the investor will coincide next year with moves by the Geneva and Basle bourses to new premises, the inauguration of a new electronic informstion system linking the three exchanges and the start-up in Geneva of an automatic recording system for floor traders' contract notes. This, it is hoped, will link up with similar systems coming into place later in Zurich and Basle.

These technological improvements are the fruit of the Tripartite Bourse Commission set up in 1983 to resolve differences among the strongly independent exchanges and to pool their efforts to handle technical innovations.

The Commission is slso ready for e third development, the introduction of a CATS (compnter assisted trading system) dealing system similar to that opereting on the Toronto exchange. It is designed to cover those securities which are not beavily traded. The aim is to bave it working by the middle of 1987.

Initially it is planned to cover the market for Swiss franc *notes, which has now reached* e volume of some SFr 20bn a year but is still traded over the counter or hy telephone. The system would gradually take in all over-the-counter business and finally the listed bonds which are not actively dealt in.

In deciding on the CATS the three Swiss exchanges have proclaimed their belief in the efficacy and value of the open outcry system for handling actively traded securities on the floor of their exchanges.

Some Swiss brokers, especially those dealing with big institutions, believe that the end of the trading ring is in sight. Dr Nicolas Baer, president of the Zurich stock exchange, does not agree.

"We believe that human intelligence and feeling cannot be replaced hy a computer. Everything which can be done automatically without infringing on that basic principle can go on to an electronic system but the auction is the best for transactions which demand the use of intelligence," Dr Baer says.

However, a continuous trading system similar to CATS is s necessary support for the options trading business, into which the Zurich exchange is ready to launch.

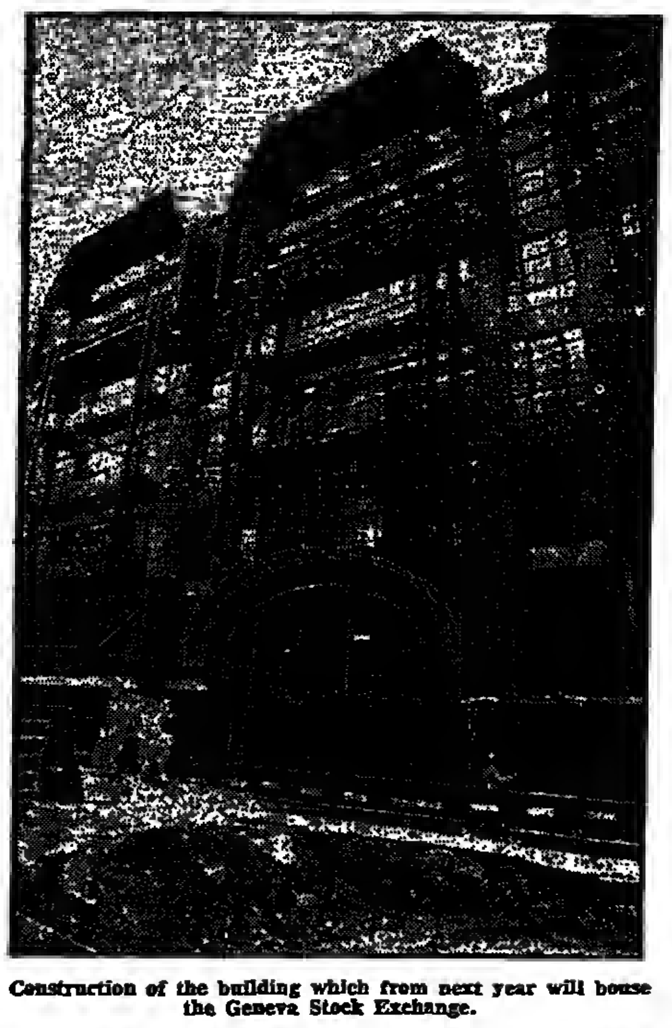
Swiss attitudes to the new financial instruments proliferating abroad have been conservative and prudent. They are summed np in one banker's remark that for every "bedging operation there has to he a speculator on the other side. Foreign markets, and especially the US, bave far more professional speculators than we do."

Now it has been decided to push ahead with options trading in Swiss securities, leaviog aside for the time being the qnestion of financial futures, which in any case requires the sorting out of some legal difficulties with the Federal authorities.

A pilot scheme is envisaged with a limited number of market makers and securities operating through an electronie trading system. It is boped to have this scheme running by the end of next year.

A move to improve the reporting habits of Swiss companies is coinciding with the efforts to make the Swiss exchanges technically sophisticated and modern. A revision of company law is under way but is making slow progress through Swiss legislative burdles.

In the meantime the stock exchange boards are exerting pressure on companies to disclose more financial information, and guidelines are heing worked out by a committee set up by the Swiss Institute of Certified Accountants and auditing companies. A promising signal came this year, when Brown Boveri, the electrical engineering group, published consolidated accounts for the first time.



Construction of the building which from next year will house the Geneva Stock Exchange.

Profile: Martin Ebner

By WILLIAM DULLFORCE

Readiness to break the mould of conformity

ONE OF the most exhilirating events on the Swiss stock exchanges this year was the entry into the Zurich trading *ring of Martin Ebner's BZ* Bank. It signalled the arrival of a younger, critical generation eager to seize the opportunities opening up under the internationalisation of equity markets.

Tha speed with which Mr Ebner was able to get official approval for his bank and its trading licence also suggested that Swiss authorities are less hidehound than supposed and not unhappy to have someone shake np the business establishment.

BZ Bank became the first new member of the Zurich stock exchange in 20 years at the end of July, when its temerity in applying for an A licence, permitting it to trade on the floor of the exchange, was rewarded by the local cantonal authorities.

In May the Federal Banking Commission had given its approval to the establishment of the bank after processing the application in a record three months.

It may bave helped that Mr Ebner's application landed on the desks of the Berne bureaucrats when they were under increasing pressure from big hanks, threatening to move business ont of Switzerland, unless tax concessions were made. Another point *in his* favour was that he proposed to focus on trading in Swiss equities.

Mr Ebner's insight was that there existed an untapped market for selling thoroughly researched information to a bandful of hig institutional clients with e growing, but largely uninformed interest in the Swiss—and other Europesn —stock markets. Add hlock trading on hehalf of the clients, and an interesting business opportunity emerged.

Three months after his start Mr Ebner estimates tbat the volume of business done by BZ Bank already ranks it in the top half of Zurich floor traders.

It is handling only Swiss stocks and has a limited number of elients, half of them foreign. The foreign clients are mostly based in London and include two Japanese. The Swiss clients are sbout equally divided between pension funds and finance companies.

The bank *currently* has a staff of 17 but will have 20 by the end af the year, a considerahly faster growth rate than first envisaged. Some of the new recruits are establishing the research department.

The *most important* investment has gone into electronic equipment ensuring on-line link-ups with cliants and the swift processing of the researcb information. It will also provide the back-up for the portfolio-managing suhsidiary, BZ Trust, now in the pipeline, wbicb *is* to be *run* quite independently.

Martin Ebner: eager to seize opportunities opening np under the internationalisation of equity markets.

As well as entrepreneurial amhition, chance and friendship have played their parts in injecting Mr Ebner, 40, into the Zuricb stock market.

Chance in the shape of an illness in the family brought bim home from tha US and to an offer from an old friend, *Hans-Dieter* Vontobel.

That led to an eight-year spell witb J. Vantobel and Co, the go-ahead Zurich private bank (since incorporated), wbere Mr Ebner set up an aggressive research department that eventually revealed Swiss corporate treasurers to be lesa rebarbative end secretive than their reputation suggested.

The *friendships* were *crucial* to the formation of BZ Bank. Carnegie Fondkommission, the Stockholm brokerago company of which Mr Johan Bjoerkman is a director, owns 40 per cent of the stock in the bank. Mr Ebner himself holds 30 per *cent.*

The remaining 30 per cent was provided hy Gebrueder Volkart, the big Swiss commodity trading group, where Mr Anders Reinhart bas just taken majority control, become both chairman and president and invited Mr Ebner on to the board.

Mr Bjoerkman and Mr Reinhart sre contemporary in ege with Mr Ebner and long-standing friends. Another is Mr Konrad Fischer, a Zurich lawyer, who is chairman of the board in BZ Bank. Together they may be creating a catalysing force on the Swiss husiness scene.

Lastly, BZ Bank's initial clients are personal friends, wbicb is why they are limited in number. That is simply the way be prefers to work, Mr Ebner *says.* He takes his *clients* home, spends tbe day with them and discusses ideas at length.

Mr Ebner himself appears to comhine traditionsl Swiss virtues with a readiness to hreak out of the conforming Swiss mould. He puts in workaholic hours in the hank, keeping fit by cross country skiing and jogging. He has taken part *in marathon ski runs.*

The fact that be is a major in Switzerland's militia army and spends four weeks e year on duty certainly does not harm him in arena where the senior managements of the big banks are studded with colonels and majors.

On the other hand Mr Ebner has not besitated to fire a few salvoes in the *direction* of the big hanks in criticising what he sees as inadeqnacies in the Swiss system. He disapproves of their custom as universal banks of combining under one roof hrokerage and portfolio managing activities — an interesting argument at a time when foreign banks are starting to ape the Swiss system.

The large in-house funds under management in the big banks, and their immense placing power, have lulled Swiss hrokers into forgetting how to solicit husiness, he believes. BZ Bank solicits business with its clients every morning.

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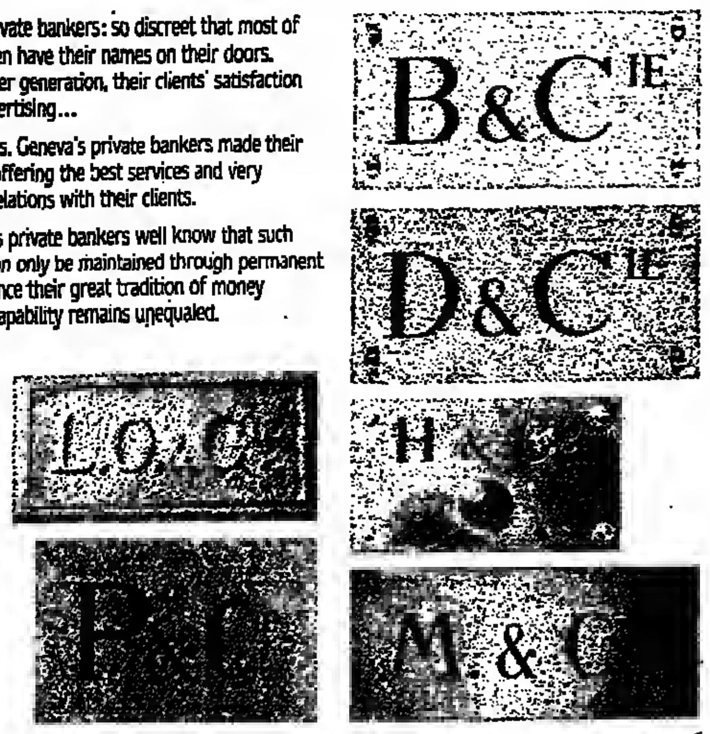

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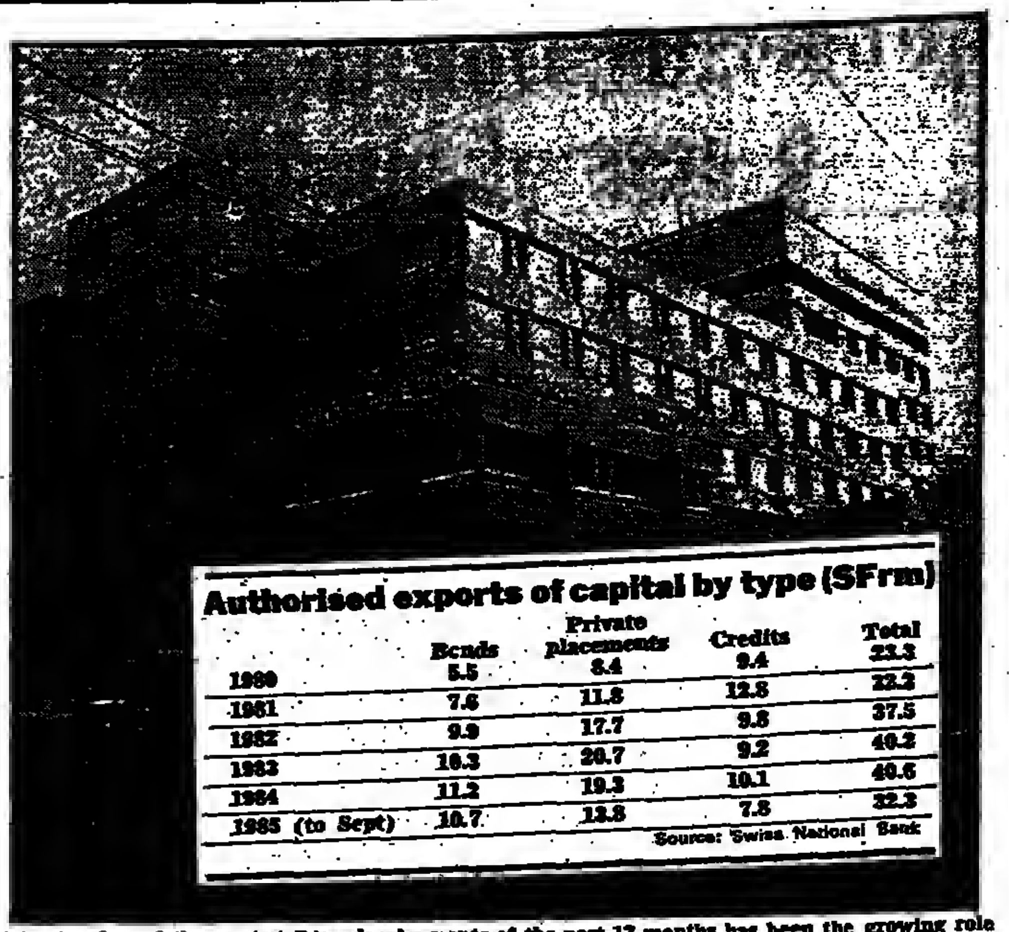

Authorised exports of capital by type (SFrm)

	Bonds	Private placements	Credits	Total
1980	5.5	8.4	9.4	23.3
1981	7.6	11.8	12.8	32.2
1982	9.9	17.7	9.8	37.5
1983	10.3	20.7	9.2	40.2
1984	11.2	19.3	10.1	40.6
1985 (to Sept)	10.7	13.8	7.8	32.3

Source: Swiss National Bank

Swiss branches of Chase Manhattan (left) and Bank of America (right). One of the most striking developments of the past 12 months has been the growing role of foreign banks in managing issues on the Swiss market

Rise in borrowing continues apace

Capital Markets
DAVID LASCELLES

THE SWISS capital markets—among the most attractive in the world because of their low interest rates—seem to be an inexhaustible well in which foreign borrowers cootinue to dip in droves.

In each of the past five years, the volume of capital exported from Switzerland (measured by National Bank authorisations) was at record levels. Last year's figure of SFr 40.6bo will almost certainly be exceeded yet again this year by a small margin. After the first nine mooths, outflows were SFr 32.3bn, up from SFr 31.4bo at the same stage last year, and the calendar was busy.

About half of this great flood of finance was in the form of private placements—now by far the most popular form of foreign borrowing on the Swiss franc markets. The rest was split fairly equally between public bood issues and credits.

Several factors have combined to keep the volume of borrowing on an upward trend.

One was the decision by the National Bank earlier this year to ebolish the ceiling of SFr 200m on bond issues, which effectively ended one of the last remaining constraints oo the market. Several borrowers were quick to take advantage, the first being R. J. Reynolds, the US tobacco company, which raised SFr 275m in September.

Shortly afterwards, in October, the World Bank raised SFr 600m in an issue that was remarkable not only for its size but for being the first public zero coupon bood launched on the Swiss market (there had been e "zero" private placement before by the Commonwealth Bank of Australia). This was an iodicatioo that Euromarket innovations are finally finding their way into a market koown for its conservatism.

Another factor is the rapid growth of swaps. According to bankers in Zurich, virtually all bood issues are now backed by swap facilities to enable borrowers to exchange the Swiss franc proceeds into another currency. Dual currency issues (paid for in francs but repaid in dollars) are also popular, and may be extended to other currencies.

Then there are the Japanese, who continue to tap the market in large numbers, usually with privately placed equity-linked issues (convertibles, etc) which are ideal for the Swiss market: "safe but with some upside potential," as one banker put it.

About a quarter of all issues now come from Japan and the Japanese financial community has grown at an astonishing rate to service this business. Virtually all the large Japanese banks and securities houses have their own underwriting subsidiaries in Switzerland.

The private placement market has also proved to be enormously vigorous, absorbing more than twice the volume of publicly issued bonds. Borrowing costs are cheaper because there are fewer fees, though by the same token this business is less profitable for the banks. In response to pressure from the Swiss authorities, Swiss banks are also trying to improve the disclosure of information about borrowers in this market.

Mainly because bond issues are fully hedged through swaps, the Swiss market seems to have been little affected by the sharp movements in the currency markets this year, which saw the Swiss franc move from SFr 2.60 against the dollar to SFr 2.80 in the spring, only to recover to SFr 2.30 in the autumn. There was a similar though mnch less pronounced movement against other major currencies. However, this did shake Swiss investors' confidence a bit, and foreign borrowers pay a premium for access to the Swiss markets.

According to the Swiss National Bank, yields on foreign bonds are in the 5.25-6 per cent range, compared to 4.75-5 per cent for Swiss borrowers and about 4.60 per cent for Swiss government bonds.

Even so, these costs are several hundred basis points lower than comparable issues on the Eurodollar market, and the spreads are narrowing.

One of the most striking developments in the last 12 months has been the growing role of foreign banks in managing issues on the Swiss market, a business traditionally dominated by the highly organised and powerful Swiss banks.

"A few years ago we had 100 per cent of the business," said a capital markets specialist from one of the Big Three banks. "Now I would say we have about two-thirds."

By common consent Morgan Guaranty of New York has been among the most successful: it managed both the R. J. Reynolds and World Bank issues, and has launched six public bonds totalling SFr 875m this year. Like most foreign banks it only started in earnest last year, though it has made the most of its ability to arrange swaps.

The question, though, is whether banks have the same placing power as the big Swiss institutions. The Swiss, with their awesome syndicates, say no. But the foreign banks, like Handelsbank and Nord-Finanz, have their own syndicates and claim to be able to move issues just as efficiently.

The foreign banks' activities, though, have so far been confined to bringing foreign borrowers to the Swiss markets. They have yet to win mandates from the big Swiss corporations. As traditional links give way to aggressive pricing, the day when they do may not be far off.

One thing preserving the Swiss banks' dominance of the market is the National Bank's ban on the issuing of Swiss franc obligations abroad. This also forces issuers to pay Swiss taxes, which adds to the cost.

Although the Swiss authorities want to control the Swiss bond market for monetary reasons, any liberalisation such as that recently hinted at by Mr Pierre Languetin, the president of the National Bank, would have to take these other considerations into account.

Swiss banks do not want the market liberalised internationally because it works very well for them at the moment. Also, if liberalisation were to take place without any change in the tax regime, the Swiss franc issue business would instantly move abroad. One US bank says that if this were to happen, it would immediately transfer 25 jobs to London.

Although taxes are clearly not inhibiting foreign borrowers at the moment, bankers fear they will some day.

Meanwhile, business still looks good. The new national pension arrangements which are designed to give every worker "three pillars"—the state pension, his job pension and his own pensionable savings—are expected to give a further boost to investment.

Set to stay in excellent shape

Domestic Bond Markets
JOHN WICKS

SWITZERLAND'S domestic-bood market is in excellent sbape. Current conditions mean that borrowers are keen to float new issues—even in the generally dull end-of-year period—while investors are flocking in despite today's modest coupons.

The indications are that this happy state of affairs will continue.

In the first three quarters of this year total new-issue volume reached SFr 7.8bn, the highest figure for an opening three mooths except for the exceptiooal year 1983 with its rush of public-authority borrowings.

In terms of oew money (that is, after deduction of refinancing transactioos), the January-September sum of SFr 6.09bn was up almost 12 per cent on last year's level.

Since then, there has been a sharp acceleration. In October, nominal value of new domestie boods amounted to SFr 1.18bn or more than double that for the same mooth last year. For the two final months, the original issue calendar foresaw a rise of "only" about 50 per cent over the correspoodiog 1984 figure to rather over SFr 1.3bn; since then, latecomers have pushed the two-mooth total to about SFr 1.8bo.

For the borrowers, the big draw has laio in the eminently effordeble interest rates. First-class borrowers, such as Caotoos aod cantooal banks, are currently issuing at 4.75 per cent for 10 to 11-year boods; others are doing well with coupons of 5 or 5.25 per cent on similar straight boods. Warrant issues, like last month's highly-successful floats by the Banque Cantooale du Jura aod the Swiss Bank Corporation, were priced at 3 per cent.

From the investor's poiot of view, these coupons are worth having. Quite apart from the attraction of e strong Swiss franc, inflatioo is low and falling; io October, the rate dropped from 3.3 per cent to 3 per cent and the low dollar makes a further decline likely.

Other interest rates have also been coming down. For example, the banks' three-to-eight month time deposits dropped to 3.75 per cent and those for nine-to-12 month maturities to 4 per cent in early November, while their medium-term over-the-counter bonds ("Kassenobligationen") have since—in part at least—been reduced to 4.75 per cent for five to eight years.

Most observers now expect coupons to remain more or less where they are for a time—or possibly show a further slight decline.

However, this month's Federal bond issue of about SFr 250m has an interest rate of 4.75 per cent—and not 4.5 per cent, as some people expected. This coupon is the same as that for October's issue of SFr 289m worth of confederation bonds.

It remains to be seen what the December bonds will be priced at: The October issue was successful at 101 per cent. All outstanding 4.75-per-cent Federal issues are currently selling at above par en the secondary market.

The boom on the equity market has had two separate, bnt both advantageous, effects on the bond sector. First, the record share indices have brought average yields down to little more than 2 per cent, as compared with about 2.7 per cent this time last yeer. Secondly, the constant upward movement in the index has led to a triumph for warrant bonds on the Swiss market.

From mid-year to early this month, bonds and subordinated bonds equipped with share warrants have been issued to e total of SFr 1.34bn, of which SFr 1.05bn was accounted for by banks. One of the most recent, that of EMS Chemie, was being traded at no less than 165 per cent on the over-the-counter market at the end of November.

Banks continue to be the major single customer group on the Swiss domestic-bond market. In the first nine months they accounted for well over 40 per cent of the new-money total; they have also dominated the market in the past couple of months.

Time will tell whether banks will need so mnch money next year, particularly in the light of tha reduction in their balance sheets due to the weaker dollar and the trend towards non-interest financial services which do not show up directly in the balance.

These two factors will mean that there will be no great need to increase capital simply to meet equity ratios.

The other biggest customer is the public sector, borrowings of which are well down as e result of a Federal and cantonal campaign to restrain spending. In the first three quarters total public borrowing in terms of new money was down 35 per cent on corresponding 1984 levels, to under SFr 1bn.

Whatever the case, demand is likely to keep up and even increase. Swiss institutional investors have more money to salt away almost from day to day—particularly in the case of the pension funds—while foreign lenders will remain keen to heve Swiss-franc assets as long as the currency stays so rock-hard. And there are no signs of this changing.

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Larger concerns stay on expansionary course

Private Banks

WILLIAM DULLFORCE

THE NUMBER of Swiss private banks has been steadily declining: the number of finance compaoies operating in the couotry has soared, particularly in the past 15 years. As is often the case, however, the statistics do not give the true picture. The volume of business done by the private bankers is reliably estimated to bave doubled in the past six years, while their clients bave tripled in number since 1975.

It is a bit early to talk of the obsolescence of the Swiss private benker. The competition is stiff especially for the smaller banks wbo find it difficult to raise the capital to Invest in new technology, but the bigger private banks such as Pictet and Lombard, Odier are successfully expanding their asset management operations for both private customers and institutions.

The National Bank listed 23 private banks at the end of 1984, one less than a year earlier, 18 less than in 1945 and more than 200 less than at the beginning of the century.

It registered 103 finance companies, compared with 100 at the end of 1983. They included some 70 foreign-owned establishments set up in the country over the past 25 years. The National Bank does not include the numerous finance companies wbose activities are strictly limited to issuing public loans.

The ettraction of Switzerland for finance companies are the minimum of regulation, allowing total freedom in moving capital to and from otber countries, the carefully maintained tradition of banking secrecy and the opportunity to join in lending and capital exports.

The figurea in the accompanying table need to be interpreted. The balance sheet totals and the capital and reserves reported to the National Bank are irrelevant to the mainstream business of the private banks which generetes commission income from asset management operations undertaken at the risk of their clients.

The private banks are partnerships whose partners carry unlimited liability for the bank'a commitments. The figures published by the National Bank give no indication of their accumulated reserves.

More interesting in this instance are the numbers of employees wbich reflect the relative smallness of most financial company establishments.

In the last century Swiss private bankers performed roles similar to those of British merchant banks, raising funds for the construction of railways and mines. This century they have specialised increasingly in asset management, eschewing most other banking activities.

The finance companies are a more beterogeneous group and more diversified ln their activities. Many of them were put in place by foreign banks seeking to pick np a share of the bond issuing business, where they are competing more with the commercial banks.

Competition with the private banks is keenest in the asset management field. Half the establishments of a banking nature in Geneva today are finance companies apecialising in portfolio management. The blg Geneva private bankers do not seem to be particularly worried.

They argue that the finance companies set up by foreigners usually bring with them investors acquired through their parent banks, adding to the critical mass of portfolio business in Switzerland rather than encroaching on that already there.

The scramble for institutional business is perhaps more competitive but the area in which the Swiss private bankers really feel the bite of the finance companies is on the staff side. "We are a headbunters' market now," one banker complained. There are reports of portfolio managers being offered SFr 250,000 ($118,000) a year plus bonuses.

At a rough estimate, for they atill disclose very little of their affalrs, Switzerland's 23 private banks today manage funds of between SFr 130bn and SFr 150bn. The business varies greatly in slze between tbe two biggest Genevan banka and tbe small ones wbich are little more tban family-sized operatioos. Geneva has nioe banks, Zurich and Basle four eacb.

For the time being cvcn some nf the smaller appear to be benefiting from a retour n l'ortisanat, the switch back especially among the wealthy from the mass produced to the craftsman's job, to the personally tailored or "banking with a human face."

However, while private investors still provide the bulk of the business, the fastest growth is taking place in work for institutional investors which is imposing heavy demands on research capacity and forcing bankers to spend on information technology. It is slso inducing tbe banker to look for business and — discreetly — to market bis skills more than before, when be used to acquire clieots through persooal recommendation.

Mr Pierre Lardy of Pictet & Cie bas described the change in approach imposed by tbe institutional investor wbo demands more objectivity and atatistical data for his decision-making than the private clleot.

The institutional investor uses a different frame of reference, matching performance of the funds entrusted to the banker against perhaps the yield on US bonds, the New York stock market or the respective weightings in terms of market capitalisetion of all non-US stock markets.

The private banker bas to ecquire a new language "very professional, very technical, excluding personal intuition, quite different from the languege of private business," Mr Lardy said.

Moreover, the banker bas to echieve a better-than-average performance in the ferociously competitive area of international investment, the ultimste key to success. Here, Mr Lardy argues, the long tradition of international portfolio management gives the Swiss privete banker an advantsge.

Equipping bimself with the lstest technological tools, including communications network and competitive software, is costly. Not all the private banks, therefore, bave been able to join in the bunt for Institutional business.

As partnerships the banks have to rsise internally the capital to sustain growth at the same time as they msy run into Inheritance problema on the deaths of partners. Some, Julius Bser and Vontobel in Zurich, have become limited companies. Some like Ferrier Lullin In Geneva bave beeo taken over by commercial banks. Others, Ssrasin of Basle and Blankart of Zurich, merge. This process is certainly not finisbed.

The finance companies present a far more diversified picture, ranging from two-man operations to the subsidiarles of big foreign banks or securlty bouses. The pressure on them comes from the National Bank which for the past couple of years bas been proposing that they be subjected to a system of authorisation calliog for minimum capital requiremcnta and banking quslifications in their personnel.

The National Bank's attenlion bas focused especially on fioance companies doing credit business whicb they refinance through the inter-bank market. The Bank considers these to be potentially even more vulnerable then those relylng on depoaits from the public.

It bas sought to have legislation, covering the finaoce companies, included in the Banking Act but ection has been delayed by the Federal Council's prevarications over revision of the Act.

Private Banks and Finance Companies in Switzerland

Year	Number	Balance abeets SFr	Capitsl and reserves SFr	Employment
Privete banks				
1974	32	2.45bn	310m	2,429
1980	25	2.64bn	343m	1,930
1983	25	3.71bn	404m	2,163
1984	24	3.51bn	395m	1,915
Finance companies				
1974	62	7.52bn	1.50bn	377
1980	84	11.09bn	1.73bn	532
1983	100	14.98bn	2.13bn	825
1984	103	16.03bn	2.20bn	932

The number of private banks inclndes one which seeks deposit funds from the public.

Source: Swiss National Bank.

Profile: Lombard, Odier & Cie

By WILLIAM DULLFORCE

Winning blend of the new and the old

LOMBARD, ODIER & CIE bas been doing business from the old city of Geneva since 1798, moving to its present quarters at 11 Rue de la Corraterie in 1858. The history is not flaunted before visitors to the busbed, deeply csrpeted corridors and reception rooms: it is just perceptible in the manners of tbe staff and in the style in which business is conducted.

More immediately obvious tn the client is the speed with which hls personel portfolio manager in the privecy of bis office can call up (after tapping in the appropriate security code) e complete chart of the client's Investments and can check their performance against the bank's recommended strategy and the client's previous Instructions.

Discreetly boused nearby is a sopbisticated computer centre. It has been modernlsed four times since the first IBM mechine was bought in 1957 and new equipment is being installed to ensure complete compatibility between the centre end Lombard, Odier's offices in Loodon, New York end Montreal.

The bank employs some 15 software staff to develop its own programmes. If a client wants to switcb from US to German stocks or is looking for Japanese coovertible bonds, his portfolio manager can call up on his terminal the full range of possibilities, matcb the yield and maturities with his client's wisbes and prepare selling and buying instructions through the computer.

Tbe marriage of traditional private banking service with modern information technology is the ball mark of the present-day Lombsrd, Odier. Thierry Barbey, tbe senior partner, has a terminal by his desk.

Tbe business remains essentially the same, the gestion de fortune or the management of clients' wealth, except that tbe wealtb ls increasingly thst of institutions and the managemeot is carried out on a mucb wider geographical scale.

A couple of tbe bank's nine managing partners still spend most of their time maintaining personal friendships with important clients, shooting or sailing with them, helpiog to find scbools for their children, arranging their vacations.

Others keep a close cbeck on current business, sharing responsibility for financial control, maintaining standards in the research department and shaping investment strategies.

Tbe nine are fully liable personally for tbe bank's business. Six of them belong to the old Genevan banking families: not so long ago all would bave done so. Now the family partners feel that they have gaioed by opening the partnersbip to experienced nutsiders with special banking skills.

Mr Ken Mathysen-Gerst, wbo joined the partnership from the Capital Group of Los Angeles in 1982, bas been a driving force in expanding Lombard, Odier's institutional business.

LOMBARD ODIER & CIE

Another particularity may weli have helped it avold the pltfall into wbicb other private banks have fallen on the retirement or death of psrtners and the subsequent withdrawal of capital. Lombard, Odier does not demand a heavy capital inpnt from a young partner and gives him a chance to build op capital from his sbare of profits fairly quickly.

In return, bowever, wben the partner leaves, be bas no claim against the accumulated reserves. The system prevents the bank's reserves from being dispersed among relatives at the death of partners.

In eddition to the investment in information technology Mr Tbierry Lombard, a younger generation partner, singles out the build-up in the bank's research capacity and its movea abroad as being the most important developments in the past 15 years.

The London office, opened in 1973, first started bumming in 1978 wben Lombard, Odier went after management contracts with US pension funds and set up mntual funds. Lombard, Odier International Portfolio Management Limited ls registered es an investment adviser with the US Securities and Exchange Commission in New York.

It manages e considerable number of large US accounts and the European part of SGI-Tech, a fund specialising in high technology stocks which Lombard, Odier runs together with Nomure of Japan and Merrill Lynch. It also trades ln bonds for the captive insurance subsidiaries of some large companies.

A joint venture with Kokusai Securities, a Nomura subsidiary, aiming at managing Japanese corporate funds, is controlled from London, as is the Amsterdam office of Lombard, Odier opened on October 1.

In North America the Swiss bank opened up in Montreal in 1951 "because some of our European cllents were getting nervous and we showed them we could look after their business, should they cboose to emigrate."

Tbe crucial move in the US came in 1979 when for a mere $90,000 Lombard, Odier through its Canadian subsidiary, Transatlantic Securities, acquired a seat on the New York stock exchange. It has since developed into a fully integrated clearing and trading operation in the US and Canadian markets.

The US is a major market for Lombard, Odier's portfolio business but early this year with the decline in the value of the dollar the bank reduced the portion of US dollars in its recommendations for allocating assets from 55 per cent to 22 per cent.

In fact the Geneva-based operations have contributed more to earnings this year. Lombard, Odier has a brokerage business which contributes annually, allowing for fluctuations, roughly a quarter of its profits.

Anticipating an explosion in bnsiness from Swiss pension funds after the introduction of compulsory retirement pensions in companies this year the bank had been building up a special department for some years and ls now polsed to reap the benefit.

Among tbe Swiss private banks, Lombard, Odler has probably expanded lts business with institutions fastest. But, as Mr Barbey stresses, the management of private portfolios remains the core business. Although work for institutions may be expanding faster, the growth in private portfolio business this year has been larger in absolute terms.

Lombard, Odier is one of the two biggest private banks in Geneva (Pictet & Cie ls the other) and is experiencing the fastest growth of its existence.

It currently employs some 450 people, of wbom about 100 work abroad. The total was no more than 100 ln the eerly 1950s and bad reached 260 by 1970.

The bank sticks to its traditional reticence ebout the volume of its business but other bankers estimate that it is managing funds worth almost SFr 25bn ($12bn) and Mr Barbey acknowledges that it now has over 12,000 cllents.

Swiss private banks do not disclose earnings but the bonus system operated by Lombard, Odier for its senior staff gives some clue to recent profit performance. Over the past 10 years the valne of e bonus point bas nearly tripled.

Mr Barbey confirms that 1985 bas been en exceptionally good year with a growth in consolidated net profits of more than 25 per cent. This will allow the bank to continue making substantisl allocations to the reserves from operating income.

What of the future? Mr Lomberd sees the bsnk's business becoming increasingly institutional aod internstional: "Our cllents atill come to ns but more end more we ere baving to go to them."

He is concerned about reconciling the trend toward lower profit margins with the need to improve the quelity of services but belleves Lomberd, Odier's early start on computerlsation coupled with the experlence of its slsff gives potential for maintaining its performence.

Mr Barbey, the senior partner, feels that it is time for a reappralsal efter the fast expanslon of tbe past few years. He wants to make sure that the beck office is kept compact.

LEFT: Mr Thierry Barbey, senior partner of Lombard, Odier, He stresses that management of private portfolios remains the core business of the bank. RIGHT: Mr Thierry Lombard, a younger generation partner, singles out the build np of the bank's research capacity and its moves abroad as being the most important development in the past 15 years. He sees the bank becoming increasingly institutional and international

This announcement appears as a matter of record only.

MD FC

McDonnell Douglas Finance Corporation

(incorporated in the State of Delaware)

Swiss Francs 100,000,000

5¼ Per Cent. Bonds Due 1995

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Kredietbank (Suisse) S.A.
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Samuel Montagu (Suisse) S.A.
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Banque Vaudoise de Crédit
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Bank in Gossau
Banque Scandinave en Suisse
Bank in Menziken
Compagnie de Banque et d'Investissements, CBI
Bank vom Linthgebiet
BA Finance (Switzerland) Ltd.
Basellandschaftliche Hypothekenbank
Banque Bruxelles Lambert (Suisse) S.A.
EKO Hypothekar- und Handelsbank
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November, 1985

Chase Investment Bank

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The Hertz Corporation

(incorporated in the State of Delaware)

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Bank in Liechtenstein Aktiengesellschaft

November, 1985

Chase Investment Bank

Law will boost coffers further

Pension Funds

JOHN WICKS

DOMESTIC pension funds have long been a power among Switzerland's institutional investors. By 1983, the latest year for which Government figures are available, their total investments amounted to SFr 113bn—or well over three times the sum booked for as recently as 1970.

Thanks to the introduction of the Occupational Pensions Act at the beginning of this year, many more billions will pour into the markets in the foreseeable future.

The new law lays down obligatory pension-fund membership for all employees earning more than SFr 16,560 annually, with death and invalidity coverage from the age of 17 and pension premiums from 24 onwards. Although the vast majority of Swiss employees were already in staff pension schemes, its introduction will mean a marked rise in total premiums, quite apart from the already substantial interest earnings.

According to a study prepared by Bank CIAL (Schweiz), the total holdings of the pension funds will be of about SFr 140bn for 1985, then rising by something like a net SFr 12bn per year.

Bank Vontobel believes that additional investment requirements will reach some SFr 17bn both this year and next. It is generally assumed that by the year 2000 the overall holdings figures will amount to SFr 200bn (in current purchasing value) or more.

At the same time, there is likely to be a change in the pension funds' investment policies. Hitherto, these have tended to be highly conservative. Of the 1983 sum of SFr 113bn, for example, SFr 35.2bn was invested in the form of bonds and "Kassenobligationen" (banks' over-the-counter medium-term notes), SFr 20.8bn in property and SFr 10.8bn in mortgages; a further SFr 26bn was placed with the respective employers. (In the case of public-authority pension funds, more than one-half of the total is on permanent loan to the employer.) Only about 4 per cent of overall funds were invested in shares.

The 1985 Act not only extends pension-fund membership, however, it also makes it easier for the funds to improve their investment income. Based largely on the rules of such "liberal" cantons as Zurich, it permits positions of up to 30 per cent in shares, 30 per cent in foreign Swiss-franc bonds and 20 per cent in foreign-currency bonds.

The market is hoping particularly for increased investments in shares, where pension funds today hold only some 4 per cent of total capitalisation. So, it seems, is the Government.

Dr Waldemar Jucker, head of the Federal economic-studies working party Kommission für Konjunkturfragen, recently urged the pension funds to go in for "entrepreneurial investment policies." By this he meant that they should aim for more than just protecting the nominal value of their monies. He pointed out such ultra-conservative principles are no protection against inflation.

He also made it clear why Berne would like to see more money going into equity. The economy, he said, needed risk capital to finance innovations—and create new jobs. Apart from putting more into "official" stock, Dr Jucker suggested that funds might follow the American example and join forces on the over-the-counter market and even in unlisted Swiss shares. "Pension funds no longer have the excuse of legal restrictions," he added pointedly.

Another sector which could benefit from the new situation is that of foreign shares. Of the 30 per cent share of pension-fund money which can be invested in shares, up to 10 per cent is allowed to go to foreign shares quoted on a Swiss stock exchange. This is over and above the 30 per cent maximum on Swiss-franc bonds issued by foreign borrowers and 20 per cent on other bonds.

These developments will probably be accelarated by a certain lack of new possibilities in the funds' traditional investment sectors. There is not much scope for large-scale growth in the property sector, even though the Swiss National Bank says that pension funds' mortgage assets rose to some SFr 11.6bn by the end of last year; taken together, property and mortgage holdings rose by only some 44 per cent in the period from 1978 to 1983, as compared with a 75 per cent growth in securities.

Now the domestic-bond market does not appear to offer much potential, either, especially as public borrowing remains relatively modest. In the first three-quarters of this year, the total amount of new money involved in domestic Swiss-franc bonds rose by nearly 12 per cent over the corresponding 1984 period to SFr 6.09bn—but that in foreign Swiss-franc bonds by almost 30 per cent to about SFr 10.6bn.

There are already signs that the restructuring of the pension funds' portfolios is starting to take plece. Apart from the slow growth in property holdings, the share of domestic bonds in total fund assets is reported to have dropped last year from 53 to under 48 per cent. There has simultaneously beeo an expansion in share and investment-fund positions, which appears to have continued this year.

Demand on the Swiss capital market will be spurred by the blossoming of the pension funds

For all that, nobody is expecting a sudden rush of fund money into equities. Estimates are of a "share share" of still no more than about 7 per cent by 2000.

There are a number of reasons for this. In the short term, many funds will be put off by the current record level of the share-price index. There will also be e slow learning curve, probably made slower by the reluctance of many employee representatives to risk any part of their fund.

At the same sime, the process will ba held up to some extent by the fact that shares have to figure in balance sheets at current value—unlike bonds, which show up at nominal value; this will mean the formation of special reserves to compensate for any temporary fall in share prices.

The Government is understood to be looking at two other hindrances, both of which result from what was a general un-Swiss lack of attention to detail throughout the 13-year gestation period of the Occupational Pensions Act.

One is that the life-assurance companies, which handle a good deal of all pension-fund coverage, are subject to much tighter investment restrictions than the funds themselves (for example, no more than 8 per cent of their investments may be in Swiss shares and nothing at all in foreign shares or foreign Swiss-franc bonds).

The other is that foreign shares held by pension funds will have to be listed on Swiss bourses; here, the pension-fund investment foundation Investmentstiftung für Personalvorsorge claims that the authorities will doubtless overlook anyone breaking this rule, however.

Whatever the case, demand on the Swiss capital market is certain to spurred by the blossoming of the pension funds. Observers think this will be most noticeable in the sectors of Swiss shares, Swiss convertible and warrant bonds and top-drawer foreign Swiss-franc bonds.

The banks, insurance companies and investment foundations have gone all out to accommodate new pension-fund clients and update existing arrangements. Now they are looking at the possibilities offered by the so-called "Third Pillar." This is the Swiss term for private and optional coverage outside the social-security system (First Pillar) and obligatory employee pension programmes (Second Pillar).

Only days after the Government announced plans for tax breaks starting in 1987 on Third Pillar schemes, the life-assurance companies have already presented a special policy, the cantonal banks have heralded their "Sparen 3" joint-venture, and Swiss Volksbank has introduced its "Privilagia" service.

Such programmes will further promote investments by the canny Swiss, not least the self-employed not covered by the Second Pillar. At the same time, the completion of the three-phase pension system is expected to make private investors rather more daring in their other investments. This, presumably, will also mean yet additional demand on the capital market.

Heavily dependent on investments

Insurance Sector

JOHN WICKS

AT FIRST GLANCE, Switzerland's important insurance sector seems to be doing very nicely for itself. Premium volume, up in terms of hard Swiss francs by over 5 per cent — excluding foreign subsidiaries' income — to some SFr 27.3bn in 1983, is expected to have risen by more like 10 per cent for last year.

A similar growth rate is likely for 1985, thanks largely to new employee-welfare lews. Initial statements by leading insurers indicate that overall earnings will reach record levels.

In fact, operational results outside the life-assurance sector leave a great deal to be desired. Non-life insurers and reinsurers have been living with frequently massive underwriting losses for years; according to a recent Swiss Re study, actual insurance business was in the red every year from 1975 to 1983. Since then, these operational deficits have grown further.

The reason for this lies in a combination of factors — primarily, these are cut-throat tariffs on the world insurance and reinsurance markets, rising claims and weak national economies. Although companies are countering their underwriting losses with an upgrading of portfolios and measures to cut costs, it could be years before non-life business starts to pay its way.

This means a large degree of dependence on "unearned income" from investments. Swiss companies are better off than those in some other countries in that their capital income much more than compensates for their underwriting losses.

Thus, Zurich Insurance was abla to book a 10.4 per cent improvement in net profits to SFr 112m in respect of last year, despite a huge underwriting deficit of Sfr 462.8m, while Winterthur's parent company earnings went up 9 per cent, after e group non-life operational shortfall of SFr 284.8m.

Swiss insurers do not feel happy relying on their investment portfolios but are able to accept this as e fact of life at a time of flourishing markets and adequate interest levels. Nor is it only the none-life operators which depend on their activities as institutional investors; the long-term nature of lifa assurance naturally means that these companies also have vast and growing sums out to grass.

Just bow important these investments are, is illustrated by the latest report of the Federal Office for Private Insurance. This shows insurers' capital investments in Switzerlend alone of SFr 86.3bn at the end of 1983 and capital income for the same year of SFr 5.6bn.

Since many Swiss insurance and reinsurance companies are multinationals (almost one-half of parent companies' non-life and one-quarter of their life premiums come from outside the country), total investments are much larger. Figures calculated for 1984 by the Zurich weekly Schweizerische Handels-Zeitung for only the 15 leading companies—and these only partially consolidated — show a combined sum of over SFr 114bn.

In Switzerland itself, the insurance firms play a substantial role as capital-market clients. This is particularly the case with Swiss-franc domestic bonds, which life-assurance companies are free to subscribe to any percentage of their total investments. Leading life groups typically have anything from 30 to 50 per cent of their Swiss portfolios in bonds. Statutory requirements and conservative portfolio policy keep shareholdings at a minimum.

The same criteria also mean that insurance companies have a considerable stake in the property market. Latest figures issued by the Swiss National Bank show that at the end of last year, insurers and reinsurers (excluding pension funds) were mortgage creditors to the tune of some SFr 14.2bn —or more than 9 per cent more than a year earlier. This is over and above an important stake in actual property; in the case of the major life-assurance firms, property averages out at almost 20 per cent of the domestic portfolio.

The major event for Swiss insurance companies in the past year has been the introduction of the Occupational Pensions Act on January 1, with the resultant adjustment of all existing group policies.

While the life companies deny that this is the "deal of the century" for them, it will undoubtedly be the main reason for this year's awaited premium growth. In 1984, the non-life companies had for their part benefited from the move to make accident insurance compulsory for all employees.

Switzerland remains an excellent insurance market. About 15 per cent of a typical household budget is earmarked for premiums—a higher share than for rent—and a per-capita private-insurance premium of $976 in 1983 was higher than that of the US or Canada. Over 6.5 per cent of Swiss gross national product goes on insurance premiums.

For all that, the Swiss market has its limits. "We shall soon be nearing saturation point," according to Dr Walter Dicner, geeeral manager of Swiss Life. Although foreign income is currently affected by the strength of the Swiss franc, there seems no doubt that expansion—now that the new employee-welfare laws have gone through—will be abroad, rather than at home.

Most major operators have already established themselves firmly abroad, especially in non-life business. Only 18.4 per cent of the Zurich group's non-life premiums originated in Switzerland last year. A survey carried ont by the Swiss Insurance Association shows that at the beginning of last year the country's 111 private insurance entities employed foreign staff totalling nearly 44,850—as compared with fewer than 40,000 ar bome. Foreign insurance business last year contributed something like SFr 600m to Switzerland's surplus on current account.

Companies do not feel they need to expand abroad et all costs. On the contrary, e good deal of uneconomic American business — product-liability and medical-malpractice coverage, for instance—has been abandoned. But expansion is continuing.

The biggest step taken this year in the field of acquisitions was the purchase of the Hamburg-based Deutcher Ring by the Bâloise group. The takeover of the German company's life assurance operations as well as a non-life subsidiary, building society and an investment company, will increase the Basle group's premium income by more than half.

Elsewhere, Swiss Life has moved to improve its services to multi-national clients by forming a Luxembourg subsidiary, as well as opening a "service office" in California. Zurich feels the time for a new major acquisition is not ripe; however, at the start of the year it did take up a substantial stake in a small Sao Paulo firm Anglo Americana de Seguros Gerais.

With no figures yet, even for the whole insurance sector in 1984, it is early deys to predict what next year will bring. Almost certainly, this will depend on the capital market—and the capital market still looks good.

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Daimler-Benz sales rise hints at buoyant profits

BY JOHN DAVIES IN FRANKFURT

DAIMLER-BENZ, the West German motor vehicle producer, expects to report n sharp increase in sales revenue this year and has given another hroad hint of buoyant profits.

Boosted hy strong car sales and by company takeovers earlier this year, group sales revenue is expected to top the DM 50ho ($19.7hn) level for the first time. Its sales for the year are being put at about DM 51.5bn, compared with DM 43.5bn last year.

About DM 2.5bn of the DM 8bn increase in sales comes from the inclusion in the accounts for part of the year of MTU, the aero and marine engine maker, and Dornier, the aerospace and high-technology research group.

Daimler-Benz gained full ownership of MTU early this year by buying out its equal partner, the MAN truck group, and later bought a 65.5 per eent stake in Dornier. It has since bought into the AEG electrical concern and, subject to Cartel Office approval, is aiming et majority control of AEG.

Professor Werner Breitschwerdt, chief executive, said that "positive" factors would outweigh other influences in this year's results.

Daimler-Benz had benefited from increased business, especially passenger car sales, as well as from expansion in the US and the high average level of the dollar during the year, which had magnified US profits.

All this had more than offset increased burdens, resulting from the start-up costs of new models and from the introduction of shorter working hours.

Throughout the year, Daimler-Benz executives have been hinting that shareholders could expect generous treatment from this year's results to mark the company's celebrations of its automobile centenary next year.

Daimler-Benz paid an unchanged dividend of DM 10.50 e share for 1984, after increasing group net profits by 11.7 per cent to DM 1.1bn, despite the setback of a strike in the motor industry.

With the strike holding back Daimler-Benz's production last year, its car output this year will show a 13 per cent rise to over 540,000. It is aiming at a further increase next year, helped by expansion of its Bremen plant in northern Germany.

Although the West German car market as n whole suffered a setback this year, Daimler-Benz has stood out by increasing its domestic sales by about 18 per cent.

It has been aided by its new models, the success of its "compact class" and its strength in diesels, which have gained a lot of ground as a result of debate about pollution controls.

Daimler-Benz said that commercial vehicle production, which has been hit by market setbacks in recent years, would show a moderate rise worldwide to 220,000 this year from 211,000 last year.

The number of trucks and other commercial vehicles produced in Germany would be stable et about 144,000 although the number of kits produced for assembly abroad would show a sharp rise to ebout 28,000.

The company said that the entire West German motor vehicle industry had created ebout 40,000 jobs in the last two years and about e quarter of these were et Daimler-Benz.

Italian Esso to cut spending

By James Buxton in Rome

ESSO ITALIANA, the Italian subsidiary of Exxon of the US, is drastically cutting back its investment programme in Italy. It blames the uncertain situation facing oil companies in Europe and the legal restrictions on the Italian market.

Esso Italiana has invested much more heavily in Italy than other multinational oil companies. It had planned to invest a total of L500bn ($300m) over the four years to the end of 1985, in both refining and marketing.

But yesterday Mr William Barnes, chairman, said this year's investment had been cut from a planned L290bn to L174bn and that next year investment spending would be reduced from a planned L350bn to L110bn.

Mr Barnes, who described the move as "a significant pause" in the investment programme, said there had been no indication that the Italian Government intended to ease the regulations affecting oil companies.

The restrictions range from outdated and costly customs procedures and limited filling-station opening-time to the rule that requires production tax on petroleum products to be paid with interest 15 days after the product leaves the refinery – against the EEC average of payment without interest after 33 days.

New York rally outstrips Europe

BY MAGGIE URRY IN LONDON

FIXED-RATE Eurodollar issues are now wholly uncompetitive with the New York bond market as the rally there continued to outstrip Europe yesterday.

One syndicate manager said he would price e new seven-year issue for an AAA corporate at e yield of 40 or 50 basis points above US Treasury yields, a level far too high to tempt borrowers.

In the secondary market issues from IBM were trading at that sort of spread above Treasuries, while Ford's deals were yielding as much as 100 basis points more than Treasuries. Another part of the problem is the effect on sentiment towards other US corporates following the fall in Texaco's bonds in response to the legal decision against the compnay.

No new straight issues were launched in the sector yesterday, but one floater appeared for Barings, the holding company of the UK merchant bank.

The $100m issue is being led by Credit Suisse First Boston and has e 15-year life. The coupon will be set at 1/16 per cent above six-month London inter-bank offered rate (Libor), and front-end fees totalled 45 basis points. The bonds are non-callable for five years. They were quoted at around 99.75 yesterday.

The World Bank has revealed the purpose of its recent $200m 15-year Eurodollar issue which was tied in with a serial zero-coupon issue in the US with a $500m redemption value and maturities from 16 to 30 years. The $40.5m proceeds of the zero issue have been used to buy a US Treasury zero maturing at the same time as the Eurodollar issue. The zero will be used to pay off that deal.

BHF Bank bond average		
Dec 12		Previous
104.665		104.474
High	1985	Low
105.803		99.840

The three together create a synthetic 30-year coupon-bond issue at a cost around 40 basis points below the yield the bank would have had to pay for e conventional 30-year issue. The deals were arranged by Shearson Lehman Brothers.

There was more oew issue activity nway from the dollar market. Another Euro-Australian dollar issue was launched, the sixth straight in the last few days. Traders said new issues exceeded demand, and some of the deals have been trading outside their commissions.

This issue is for Banca Nazionale dell'Agricoltura's Londoo branch and is led by CIBC. The A$40m issue has a five-year life and pays a 15⅛ per cent coupon. Issue price is 100⅞, and fees total 2 per ceot. Dealers said the issue was offered outside the fees.

Two deals were launched in the Ecu sector, unusual in e market where there is a fairly formal queuing system. The unexpected deal was for Swedish Export Credit, led by Morgan Stanley. The Ecu 80m seven-year issue has a 4½-year average life. The coupon is 8⅜ and issue price 100⅛. Traders felt the terms were tight, and the bonds were trading just inside the 1⅞ per cent fees.

The other issue of Ecu 40m was for Cerinvest, the Dutch investment group, part of Cera, the Belgian savings bank. This has a seven-year life and a 9 per cent coupon with a par issue price. Lead manager is Kredietbank International, and the bonds were trading nt a discount around the 1¼ per ceot selling concession.

An issue for Air Canada in the Swiss franc foreign bond market was flying yesterday. This is a SFr 300m perpetual with the coupon fixed for ever at 6¼ per cent, the first time such a deal has been seeo without coupon refixes. SBC is the lead managar. Issue price is par, and the deal was trading close to that price.

Otherwise the Swiss franc market was quiet. Secondary market prices were firmer by ¼ point. The EIB's SFr 200m 10-year issue ended its first day's trading at 98¾, down from the 99¾ issue price. SAS's SFr 200m perpetual, which pays a 5¾ per cent coupon for the first 10 years with a refix then, closed at 98½ compared with the par issue price.

In the D-Mark bond market Commerzbank announced it was sole manager of a DM 125m floating-rate note issue but did not disclose the fees. The five-year bonds will pay a coupon of ⅛ per cent above six-month Libor, with a 7¾ per cent maximum. The lead manager quoted the issue around 99.80.

Two more Euroyen straight issues were launched. Eurofima, the European railway rolling stock financing body, is raising Y20bn through a seveo-year issue with a 6⅞ per cent coupon and 101⅛ issue price led by Nikko Securities (Europe). Transamerica Financial, the US financial services group, is borrowing Y10bn with a five-year 6⅞ per ceot coupoo and 101 issue price. Lead manager is LTCB International.

Mensanto, the chemical company, launched a dual-currency issue for Y10bn which will be redeemed in dollars at an exchange rate of Y179 to the dollar. The 10-year bonds pay a 8⅛ per cent coupon and issue price is 101⅛. Bank of Tokyo International led the deal.

International bond service, Page 18

SCA to take over tissue group

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

SVENSKA CELLULOSA (SCA), a leading Swedish forest products group, plans to increase its interests in tissue and hygiene products through the takeover of Edet, e rival Swedish producer, in a deal estimated to be worth about SKr 200m ($25m).

Edet, owned by NCB, e state-owned forest products group, has annual sales of SKr 850m and a workforce of 1,100. It produces tissue products for both consumer and institutiooal markets from plants in the west of Sweden and in the Netherlands.

The acquisition will be made by the SCA subsidiary Mölnlycke, which was taken over by Svenska Cellulosa in 1975 as part of its strategic move into higher value-added fibre-based products.

Mölnlycke accounts for more than a third of SCA turnover, with expected sales this year of about SKr 4.6bn and profits increasing by 30 per cent to SKr 250m.

Mr Tore Daun, Mölnlycke managing director, said the group planned to merge Edet with its industrial products division.

Edet produces about 90,000 tonnes of tissue based on waste fibre a year. Mölnlycke has an output of 60,000 tonnes e year of pulp-based tissue.

Mölnlycke said it was planning to invest SKr 200m over the next five years to modernise Edet plants and improve profitability. The workforce will be cut by 150

Mr Daun said the deal should be completed by the end of the year. NCB said yesterday that it had also held discussions with Nokia of Finland over the sale of Edet, but no parallel negotiations were taking place.

TRW ratifies 'poison-pill' rights plan

By Our Financial Staff

THE BOARD of TRW, the diversified US industrial group that is undergoing a sweeping reorganisation, has approved a "poison-pill" shareholder rights plan designed to help to protect the company from takeover attempts.

Under the plan, similar to others adopted recently by large US groups, shareholders will receive as e dividend one right for each share for TRW common stock they own.

Each right will entitle the holder, upon the occurrence of certain events, to buy one share of common stock from TRW for $250. This compares with the current market price of around $83, close to n 52-week high.

If an acquiring party buys 20 per cent or more of TRW's common stock and merges or engages in certain other transactions with TRW, each right would then entitle the holder (other than the acquiring party) to buy $500 of the surviving company's shares at a 50 per cent discount.

TRW may redeem the right for 10 cents a share at any time until 10 days after the announcement that any persoo or group has acquired 20 per cent or more of the company's shares.

The right to distribution will be made on January 2, to shareholders of record on the same date.

Schlumberger to take $485m charge

BY LOUISE KEHOE IN SAN FRANCISCO

SCHLUMBERGER, the big US oil-field services group, is to take a $485m charge against its fourth-quarter earnings in connection with Fairchild Semiconductor, the Silicon Valley semiconductor manufacturer, which it bought in 1979 for $425m.

Schlumberger also announced its intention to buy back up to 25m of its own shares, about 8 per cent of the outstanding stock, worth about $300m at current prices. The purchases may be made over a two-year period.

In early trading yesterday, Schlumberger's shares rose $2¼ to $35¼ at which price the share buy-back would cost the company as much as $880m.

"The stock repurchase reflects Schlumberger's confidence in our own future. We see it as a good investment," said a company official.

The Fairchild Semiconductor write-off, which will cost Schlumberger $1.62 cents a share, includes "goodwill" valued at about $250m, a provision of $110m for the disposal of assets, including inventory and out-dated production plants, and $80m for the closure and consolidation of some production facilities.

Fairchild Semiconductor, which changed its name from Fairchild Camera & Instruments last week, has been undergoing a big reorganisation and refocusing over the past year since the eppointmeot of Mr Dooald Brooks as president.

Fairchild had beeo a broad-based manufacturer of standard semiconductor parts, many of them based on old technology.

Now the company is switching its focus to very high-performance integrated circuits, particularly those used in telecommunications, aerospace and defence. In the process, Fairchild has already closed some older factories and plans to consolidate further operations.

The current write-offs will remove much of the financial burden associated with this restructuring from Fairchild's balance sheet and allow the company's future performance more closely to reflect its current business activity, according to industry analysts.

Italian bank heads for Wall Street

By Alan Friedman in Milan

BANCA Nazionale del Lavoro (BNL), Italy's largest state-owned bank, is planning to seek a share quotation on Wall Street and possibly later on the London Stock Exchange.

Dr Nerio Nesi, chairman of BNL, has been in New York for the past few days meeting institutional investors and financial advisers. He was quoted yesterday in the Italian press saying the New York listing could occur within the next year.

BNL recently unveiled plans to launch the biggest single sale of state assets so far in Italy's wave of partial privatisation, by issuing non-voting preference shares to raise more than L400bn ($233m). The share issue, equal to 25 per cent of the bank's share capital, is expected to go ahead next week.

Dr Nesi, one of Italy's most outspoken bankers, tends to approach the issue of modernising the Italian banking system with more enthusiasm than most of his peers. He is pressing ahead with plans for a new merchant bank subsidiary and wants to expand BNL's international activities.

If next week's Italian share sale goes well, Dr Nesi is expected to forge ahead with plans for an offer of equal size next year, aimed at US and British investors as well as Italian. This month's offer is restricted to Italian investors.

BNL, which has 403 branches in Italy, had total deposits of L72,600bn ($42.2bn) at the end of last year. The bank, e public credit institute under Italian law, is 85.7 per cent owned by the Italian Treasury.

Ford to sell sports car in North America

BY JOHN GRIFFITHS IN LONDON

FORD Motor of the US is to enter the high-performance sports car field in North America and other markets with mid-engined two-seater to be developed and built in France.

Production of 15,000 cars a year is planned.

The company said although the European market for such n car was expected to be small, sales in the sector reached 88,000 in North America last year. The company expected sales to have grown by a further 36 per cent by the time the car is launched in 1990.

The project will be supervised and co-ordinated by the US company's special vehicles operation, set up in 1981 to develop and produce sporting versions of North American-built Ford cars.

The two-seater will be engineered and assembled, however, by Chausson a specialist French engineering concern with which Ford has had contacts over a number of years. It is based in Creil.

Mr Louis Ross, executive vice-president of Ford's North America automotive operations, said that Ford had been "following developments carefully in this part of the market for some time, and feels the time is right to make its entry."

A key element in Ford's decision to tackle this part of the market is that, the sector against expectations, has proved particularly resilient to the sharp sales peaks and troughs which have affected the mainstream market since the first oil crisis in 1974.

Mr Ross gave no technical details of the car. However, he said Ford's aim was to produce a "world-class" sports car.

Ford will also draw on Ital Design of Italy for the design of e new, cheaper "sporty" car for the North American market only, and which is to be launched in the late 1980s. In this case, the car is to be built nt Ford's Broadmeadows assembly plant, near Melbourne, Australia.

Ariadne near control of Repco

ARIADNE Australia yesterday neared effective control of Repco Corporation, the Melbourne-based auto-parts manufacturer, paying up to A$1.56 a share and extending its holding to 33 per cent, writes Michael Thompson-Noel in Sydney.

Ariadne, headed by Mr Bruce Judge, is a fast-growing investment group in the mould of Mr Ron Brierley's Industrial Equity (IEL), with which it has close relations.

Its initial offer for Repco of A$1.50 a share, announced oo Wednesday, valued the Melbourne group at A$332m (US$222m). Repco's second biggest shareholder, the AMP Society – Australia's biggest non-government investor – has about 6 per cent

There is thought to be e chance of a counter bidder. More than 30m Repco shares were sold yesterday at prices up to A$1.57

● James Hardie Industries, a diversified building products group, said net profit for the six months to September improved 20.4 per cent to A$26.5m. The interim dividend is an unchanged 11 cents a share.

Bahrain finds banker guilty

A BAHRAIN court has found Mr Hussain Najadi, former chairman of Arab Asian Bank, guilty on four charges, including embezzlement and forgery, and sentenced him to three years' imprisonment, AP-DJ reports from Bahrain.

Lawyers for Mr Najadi, who had been charged with embezzling assets worth SFr 5m ($2.36m) from Arab Asian, said he was to appeal.

Brothers went from overalls to riches

BY PETER BRUCE IN METZINGEN

WHEN the brothers Jochen and Uwe Holy took control of the Hugo Boss menswear business in 1966, the company had a turnover of about DM 4m ($1.58m) and made mostly industrial overalls.

Today, as the company prepares its launch on the German stock market, sales are running at about DM 225m, thanks to a transformed product range and some aggressive salesmanship from the two brothers.

In the 20 years since they took over Boss, the company has changed into a successful supplier of up-market ready-to-wear clothing for German men. Last year profits emerged at DM 10.1m, an increase of 40 per cent on 1983.

As with so many recent share issues in Germany, the Boss flotation leaves the brothers firmly in control of their company. At DM 815 a share the DM 4.95m nominal of non-voting preference stock will bring in house DM 80.7m.

HUGO BOSS	Sales	Net profit
1981	117m	3.3m
1982	139m	4.1m
1983	171m	7.3m
1984	237m	10.1m
*1985	300m	–

*Forecast

The Holys are not really sure yet what they want to do with the money. "We don't actually need it," said Jochen. "It's an insurance for the future. So why go public?

"We had to ask ourselves what things would look like in 20 years' time. We don't know if our children will be capable of running the company."

The change in generations is tempting many German family businesses to the stock markets. But it is hard to escape the suspicion that e public flotation may have been more than just a little influenced by the brothers' marketing expertise. The flotation, Jochen said, "does raise our profile."

Boss employs about 900 people – against 150 20 years ago – in its German plants, but like many European clothing manufacturers the brothers have discovered the cost attractions of foreign licensed production. Greece has become a large Boss producer.

So intensely do the brothers concentrate on keeping their clothes at the top end of the market, in terms of price at least, that they huy most of their cloth in Italy, complaining that the German textile industry lacks flair and imagination.

Their biggest export market is France where, said Jochen, "eveo the Italians are scared of us." Exports still account for only 24 per cent of turnover, but it seems inevitable that, as they reach saturatioo point in West Germany, the Holys will have to move more strongly into the US. "We're being very careful there," he said.

Dollar exchange rate worries probably mean that the Holys will use at least part of the money from the flotation to begin manufacturing in North America. This is likely next year.

NEW JAPAN SECURITIES
–THE FOCUS ON JAPAN

THE NEW JAPAN SECURITIES CO., LIMITED
Head office
6-20 Kyobashi 1-chome, Chuo-ku, Tokyo, Japan
Telephone (03) 561-1111 Telex J22666

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HYUNDAI
ENGINEERING & CONSTRUCTION CO., LTD.

(Incorporated in The Republic of Korea with limited liability)

US$50,000,000

Floating Rate Notes Due 1993

(Redeemable at the option of Noteholders in 1989)

In accordance with the provisions of the Floating Rate Notes, notice is hereby given as follows:

Interest Period : December 11, 1985 to June 11, 1986 (182 days)

Rate of Interest : 8-1/2% per annum

Coupon Amount : US$429.72 (per note of US$10,000)

US$21,486.11 (per note of US$500,000)

Agent

LTCB Asia Limited

Company Notices

Crédit Foncier de France

ECU denominated Floating Rate Notes due 1995 resulting from the exercise of Warrants attached to US$ 200,000,000 Floating Rate Notes due 1995

In accordance with the provisions of the Notes, notice is hereby given that for the interest period from December 13, 1985 to June 16, 1986 the Notes will carry an interest rate of 9¾% per annum.

The interest payable on the relevant interest payment date, June 16, 1986 will be ECU50.10per ECU 1,000 principal amount.

The Agent Bank

KREDIETBANK
S.A. LUXEMBOURGEOISE

IRELAND

Notice of prepayment

Ecu 30,000,000—12½%

Bonds due January 14, 1990

In accordance with paragraph 7 "Redemption and Purchase" of the terms and conditions of the Bonds, notice is hereby given that Ireland will prepay at 101% on January 14, 1986 the total amount of these Bonds. Payment of interest due on January 14, 1986 and reimbursement will be made in accordance with the terms and conditions of the Bonds. Interest will cease to accrue on the Bonds as from January 14, 1986.

BANQUE INTERNATIONALE A LUXEMBOURG
Société Anonyme, Fiscal Agent

Luxembourg
December 13, 1985

EUROFIMA
SOCIETE EUROPEENNE POUR LE FINANCEMENT DE MATERIEL FERROVIAIRE

7¾% 1973/1988 US$20,000,000

NOTICE IS HEREBY GIVEN to Bondholders of the above loan that the amount redeemable on February 15, 1986 i.e. US$2,000,000 was bought in the market.
Amount outstanding: US$4,000,000
Luxembourg, December 13, 1985

THE FISCAL AGENT
KREDIETBANK S.A. LUXEMBOURGEOISE

JAPANESE GOVERNMENT
6% STERLING LOAN 1983/88

The Bank of Tokyo Ltd., are instructed by the Japanese Government that the COUPONS due 31st December, 1985, No. 44 will be paid on and after 31st December, 1985.

They should be presented for payment at The Bank of Tokyo Ltd., 20/24 Moorgate, London EC2R 6DH, listed on the forms provided between the hours of *10 a.m. and 2 p.m.* They must be left at least five clear days for examination prior to payment.

Coupons cannot be accepted through the post.

THE BANK OF TOKYO LTD, LONDON
(Fiscal Agent)

13th December, 1985.

CLAL FINANCE N.V.
U.S.$12,000,000
GUARANTEED FLOATING RATE NOTES 1990

The interest rate applicable to the above Notes in respect of the initial interest period commencing 13th December 1985 will be 8⅞% per annum.

The interest amounting to US$448.68 per $10,000 principal amount of the Notes will be paid on 13th June 1986 against presentation of Coupon No 1.

BANK LEUMI (UK) PLC
Principal Paying Agent

INTERNATIONAL COMPANIES and FINANCE

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for December 12.*

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex 10⅜ 92	100	102¼	102¾	+0⅛	+1⅜	9.84
Amex Credit 10⅞ 95	100	104	104½	+0¼	+0⅝	9.62
Atlant Richfld 10¼ 00	250	98⅞	99⅜	−0⅛	+1	10.35
Australia Com 11 95	200	107⅞	108⅜	+0¼	+2⅛	9.63
Australia Com 11¼ 00	100	108⅜	108⅞	+0⅜	+2⅜	10.07
BP Capital 11⅛ 92	150	105⅞	106⅜	0	+1	9.74
Campbell Soup 10½ 95	100	103⅞	104⅜	−0⅛	+0⅝	9.81
Canada 11½ 90	500	108⅜	108⅞	+0⅜	+1⅜	8.95
Canadian Pac 10¼ 93	100	104⅞	105⅜	+0¼	+0⅝	9.73
Canadian Pac 12½ 99	75	109¾	110¼	+0⅜	+0⅞	11.04
CEPME 10⅝ 91	100	102⅜	102⅞	+0¼	+1⅜	9.91
Chevron U S A 12¼ 89	600	105⅜	105⅞	+0¼	+0⅞	10.37
Citicorp 10 88	200	102	102½	0	+0⅝	8.99
Citicorp 10⅝ 95	200	100⅞	101⅜	+0¼	+1⅜	10.41
Coca Cola 11¼ 91	100	107⅞	108⅜	+0⅛	+0⅞	9.34
Denmark Kingdom 11¼ 89	100	105⅝	106⅛	+0⅜	+1⅜	9.12
Denmark Kingdom 11½ 90	100	107⅛	107⅝	+0⅜	+1¼	9.35
Denmark Kingdom 11½ 92	100	107⅛	107⅝	+0⅜	+1⅛	9.85
E D F 10 95	225	100⅜	100⅞	+0⅜	+1½	9.88
E.E.C. 9⅝ 90	350	100⅞	101⅜	+0⅜	+1¼	9.29
E.E.C 11⅛ 95	100	106¼	106¾	+0¼	+1⅛	9.15
E.I.B 12 95	200	112	112½	+0⅜	+1⅛	9.91
Eli Lilly 10¼ 92	150	104⅜	104⅞	+0⅛	+1¼	9.29
Export Dev Corp 10 90	100	103	103½	+0⅜	+1⅜	9.05
Export Dev Corp 12 89	100	109	109½	+0¼	+0⅝	9.65
Fed Dep Stores 10⅛ 95	100	101⅜	101⅞	+0⅛	+1⅜	9.84
Ford Motor Cred 11⅜ 95	100	105⅛	105⅝	+0⅜	+1½	9.72
Ford Motor Cred 12 95	100	106⅞	107⅜	+0⅛	+0⅝	10.73
Gen Elec Credit 10¼ 00	200	102⅛	102⅝	+0¼	+1	9.78
GMAC 10¼ 89	200	102¼	102¾	+0⅜	+1¼	9.04
GMAC 10¼ 92	250	102	102½	+0¼	+1	9.78
IADB 10½ 95	150	103⅛	103⅝	+0¼	+1¼	9.93
IBM Credit 10⅜ 2000	300	†103¼	103⅝	0	+0½	9.91
Kellogg Company 10¾ 95	100	104⅜	104⅞	+0⅜	+1⅜	9.45
Kellogg Company 11¼ 92	100	105	105½	+0¼	+0⅞	9.93
L.T.C.B. 12⅞ 91	100	113½	114	+0½	+1⅜	9.69
Macy Cred Corp 11¾ 95	100	†104½	105	+0½	+1⅞	10.89
Mitsui Trust 11⅛ 90	100	†106⅛	106⅝	0	+1	9.78
Nippon Cred Bk 10⅝ 95	150	105⅜	105⅞	+0½	+1⅜	10.00
Pillsbury Co. 10¼ 93	100	100	100½	+0⅛	+1	10.19
Pru Realty secs 12¼ 95	546	110⅞	111⅜	+0¼	+1⅛	10.18
Qantas Airways 10⅜ 95	140	103⅜	103⅞	+0⅛	+1¼	9.78
Quebec Hydro 11½ 92	100	108½	109	+0¼	+1⅜	9.71
Queensland Govt 10¼ 95	100	101⅞	102⅜	+0½	+1¾	9.98
Ralston Purina 11¾ 95	150	100⅝	101⅛	+0⅜	+1⅜	10.21
Ralston Purina 12¾ 89	100	109¾	110¼	+0⅜	+1¼	9.80
Saskatchewan 10¾ 95	100	105⅛	105⅝	−0⅛	+1	9.95
Saskatchewan 11⅞ 89	100	108⅜	108⅞	+0¼	+1¼	9.08
Statoil 10 95	170	102⅜	102⅞	+0⅛	+1⅛	9.26
S Wales Trsy 11¾ 90	150	107¾	108¼	+0⅜	+1½	9.41
Swed Exp Cred 10 95	100	101⅞	102⅜	+0¼	+1⅛	9.62
Swed Exp Cred 12¾ 88XW	100	105⅝	106⅛	+0¼	+0⅞	9.77
Sweden Kingdom 10¾ 90	200	105¼	105¾	+0¼	+1⅜	9.27
Sweden Kingdom 11½ 89	200	107⅜	107⅞	+0¼	+1	9.14
Sweden Kingdom 11¾ 94	100	109⅛	109⅝	+0⅛	+1¼	10.11
Tenneco Corp 10⅝ 95	150	103¼	103¾	−0¼	+1	10.30
Texaco Capital 10 93	300	†93	95	−5	−3	12.97
United Tech Fin 10⅜ 95	100	102¾	103¼	0	+1¼	10.11
Victorian Rep 11⅛ 92	150	107⅝	108⅛	+0¼	+1⅝	9.88
World Bank 10⅛ 95	300	102⅞	103⅜	+0¼	+1⅝	9.60
World Bank 12¾ 94	200	110⅜	110⅞	+0½	+1⅝	8.92

Average price change On day +0⅛ on week +1⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev Bank 8 94	200	105½	106¼	+0¼	−0⅛	7.07
Austria Republic 7⅝ 94	200	104⅜	105⅜	+0¼	+0¾	6.81
Baxter Travenol 7¼ 94	200	101⅜	102⅛	+0⅜	−0½	6.96
Copenhagen 7⅝ 95	150	101⅞	102⅝	+0⅜	+0¾	7.09
Credit National 8⅛ 94	200	106⅝	107⅛	+0¼	0	7.01
Dow Chemical 5⅝ 95	300	98½	99	+0¼	+0⅝	6.83
E.I.B. 7½ 94	300	102⅝	103⅛	+0⅜	+0⅜	6.81
Escom 8 92	150	94¼	95	−0½	+0⅛	9.14
Ex−Im Bk Korea 7⅜ 90	100	100	100½	0	0	7.54
Ferrovie Dello Stato 8 91	100	103⅝	104⅜	+0⅛	0	7.05
Finland Republic 7 95	200	100¾	101½	0	+0⅛	6.78
Gould Int Fin 7⅝ 91	100	102⅞	103⅝	+0¼	+0½	6.87
Ireland 8⅛ 92	150	104	104¾	+0⅛	+0⅜	7.24
Japan Fin Corp 7⅜ 91	100	103⅝	104⅜	−0¼	+0¼	6.72
Mitsubishi Hvy 3½ 89WW	300	155⅜	160⅛	+3¼	+2¼	−10.7
Mitsubishi Hvy 3½ 89XW	300	91⅜	92⅜	+0⅜	+0¼	6.25
Mitsubishi Met 3⅛ 89WW	100	100	106	+0¼	+0½	1.70
Mitsubishi Met 3¼ 89XW	100	89	89¾	0	+0⅛	9.19
Quebec Hydro 7⅜ 95	200	102¾	103¼	+0⅜	+0¼	6.98
Renfe 7⅛ 95	100	102¾	103¼	0	+0¼	7.29
Soc Cent Nuclear 7½ 95	150	100⅝	101⅛	−0⅜	+1⅝	7.11
Societe Cent Nuclear 8 91	100	104⅞	105⅜	0	+0¼	6.93
Sth African Tran 7⅝ 92	100	90¾	91½	−0⅝	−0⅝	9.42
World Bank 7 95	600	101⅛	101⅝	+0⅛	+0⅜	6.79

Average price change On day +0⅜ on week +0⅜

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Avon Cap Corp 5⅜ 94	130	†101	101¼	0	0	5.21
Brit land Comp 6½ 99	75	†104	104½	−0⅜	−0⅝	6.04
Council of Europe 6 92	120	†102¾	103	+0¾	+0⅜	5.49
Creditanstalt 5½ 94	100	†99¾	100	+0½	+0⅛	5.52
Deutsche Bk Fin 5⅛ 95	100	†103½	102	+0⅛	−0⅛	4.99
E.I.B. 5⅞ 94	120	†102	102¼	−0¼	+0⅝	5.56
Gen Occidentale 4½ 94	80	†103½	103¾	+0⅛	+0½	4.01
Glendale Fed S&L 5½ 95	100	†97¾	98	0	−0¼	5.79
Ind Fund Fin 5⅝ 94	40	†100⅛	100¾	−0½	−0½	5.56
Int−Am Dev Bk 6⅛ 94	120	†102½	102¾	−1	−0⅛	5.74
N Zealand steel 5¾ 95	70	†100½	101	+0½	+0⅝	5.66
Oberos Kiftek 5⅜ 95	100	†100	100¼	−0¼	−1	5.35
Olivetti Intl 5½ 95	100	†101	101¼	0	0	5.34
Pepsico 5¼ 95	130	†101½	102	+0⅛	+0⅛	5.01
Ralston Purina 5⅝ 94	125	†101½	101¾	−0½	0	5.14
Santos Finance Ltd 6 94	130	†100½	100¾	0	+0⅝	5.90
Tokyo Elec Pwr 5½ 93	120	†101¼	101½	+0¼	0	5.28
Tokyo Metropolis 5¼ 94	00	†102¾	103	+1	+2	4.85
World Bk 5¾ 94	150	†102¾	103	0	+1	5.34

Average price change On day 0 on week +0¼

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Cassa Naz Tele. 6¼ 92	25	97⅞	98⅜	−0⅛	+0⅛	6.88
Gdyr Tr & Rubber 7⅛ 95	25	101⅜	102⅛	−0⅛	+0⅜	6.84
Mort Bk Denmark 7 92	10	100⅝	101⅛	−0¼	+0¼	6.82
New Brunswick 7⅛ 95	10	101¾	102¼	0	+0¾	6.82
Swed Exp Cred Zero 90	14	73	73½	0	+0⅛	6.71

Average price change On day −0⅛ on week +0¼

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Barclays Aust 12⅝ 90AS	50	91⅝	92⅝	0	−2	15.61
Creditanstalt 12⅞ 90AS	50	90	93	+0½	−1¾	13.28
Pepsico Cap. Res. 13 90AS	50	102⅜	103⅜	0	−0¼	12.14
Swed. Export Cred 13 88AS	40	96⅞	97⅞	+0⅞	+0⅜	14.14
Amex 10¾ 95 C$	50	101⅞	102⅜	+0¼	+0⅛	10.11
Canadian Pac 10⅝ 90 C$	75	100¼	100¾	+0¼	+0½	10.22
CIBC 10¼ 90 C$	75	†103½	104	0	0	9.72
Genstar Fin 11⅜ 95 C$	75	101⅞	102⅜	+0¼	+0⅛	11.35
Montreal 11½ 95 C$	75	105⅝	106⅛	+0⅛	+0⅝	10.47
Sears Acc. Co 10⅝ 92C$	75	†99⅝	99⅞	+0⅜	+0⅝	10.69
Winnipeg City 10⅝ 90C$	50	103⅝	103⅞	+0⅛	0	9.56
Chrysler Fin Corp 17 90NS	65	92½	94½	−0¾	+0⅛	19.11
K.O.P. 16¾ 91 NS	50	92	94	+0¾	+0½	18.36
Kredietbank Lux. 17 88 NS	70	99½	100½	−0½	−0⅞	16.96
Bayer Vereins 8⅝ 88ECU	00	101	101¾	−0⅛	+1¼	7.83
Chrysler Fin Corp 9 92ECU	75	97⅝	98⅜	+0¼	−2⅞	9.49
Xerox Canada 8½ 90 ECU	40	98¼	99	−0⅛	−0⅛	8.85
Honda Motor WW 3⅞ 90FL	100	104⅛	104⅝	+0⅛	+0⅞	2.77
Honda Motor XW 3⅞ 90FL	100	89¾	90¼	+0⅜	+0¾	6.63
Thyssen 7¼ 90 FL	50	103⅝	104⅛	+0⅛	+0¼	6.27
Wereldhave 7½ 95 FL	75	102¼	102¾	+0⅛	+0⅜	6.84
Wessanen 6¾ 90 FL	50	99⅞	100⅜	+0⅛	+0¼	6.71
Mobil Corp. 11⅛ 90 FF	500	101⅞	102⅜	−0⅛	+0⅝	10.61
Australia Comm 11 92 £	40	96	96½	−0¼	−1⅞	11.37
E.I.B. 11⅛ 93 £	50	98⅜	98⅞	+0¼	−1⅝	11.35
GMAC UK Fin 10½ 95 £	30	97¼	97¾	+0⅛	−1½	11.19
Imp Chem Inds 11⅛ 95 £	75	98⅞	99⅜	+0¼	−1⅜	11.38
Imp Chem Inds 10¾ 92 £	75	98¼	98¾	0	−1⅝	11.50
Mcdonalds 10⅞ 90 £	40	98⅛	98⅝	−0¼	−1⅝	11.02
Mitsubishi Fin HK 11 95 £	50	98½	99	+0¼	−1⅛	11.33
NSW. Treasury 10⅝ 92 £	50	95⅞	96⅜	+0⅛	−1¼	11.46
Privatbanken 11⅛ 92 £	20	99⅞	100⅜	+0¼	−0½	11.81
Rank Xerox 11 92 £	40	96⅞	97⅜	+0¼	−1	11.83
Royal Ind 10¾ 92 £	90	95⅞	96⅜	+0⅛	−1⅜	11.59
Star Drug Cap 10⅞ 90 £	30	98½	99	−0⅛	−1½	11.22
Tricentrol XW 11 92 £	35	93¼	93¾	0	−2¼	12.47
Tsthouse Forte 11⅛ 90£	50	99	99½	−0⅛	−1½	11.82
World Bank 11¾ 95 £	100	99⅝	99⅞	+0⅜	−1½	11.29
C.O.E. 8⅞ 95 LF	600	100¾	101¼	+1¾	+1	8.75
Nat Lux Alum 10⅛ 92 LF	600	102⅝	103⅛	−0⅜	−0¼	9.30

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Abbey National 5 2000 £	0	99⅝	99⅞	18/1	11⅜	11.40
BankAmerica O/S 5¼ 95	0⅛	99¾	100	30/12	8⅛	8.14
Bankers Trust 5 2000	0	99⅞	100⅛	11/12	8.44	8.44
B.F.C.E. 5¼ 99	0⅛	100⅛	100⅝	13/12	8¾	8.73
B.N.P. 5¼ 95	0	101⅜	101⅝	10/1	[illegible]	8.56
B.N.P. 5¼ 95 (July)	0¼	100	100¼	22/1	8¼	8.24
B.N.P. 5¼ 95	0⅛	100	100¼	22/3	8⅜	8.36
Britannia 5 95	0⅛	99¾	100	8/1	11½	11.51
C.C.F. 5¼ 97	0	99½	99¾	5/4	8.06	8.08
Chase Man'tn 5¼ 2009	0⅛	99⅞	100⅛	5/12	8.44	8.44
Citicorp 5 2035	0	99⅛	99⅜	27/1	8.23	8.29
Credit Lyonnais 5¼ 95	0⅛	100⅝	100⅞	11/6	8½	8.46
Credit Lyonnais 5 00	0	100⅛	100⅜	18/1	7.94	7.92
EEC 5 90	0	99⅝	99⅞	8/1	7.94	7.95
ENEL 5 00	0⅛	100	100¼	1/3	8⅜	8.36
Ireland 5¼ 97	0	99⅞	100⅛	28/2	8.46	8.44
Lloyds Bank Perp	0¼	100	100¼	9/12	8	7.98
Man - Hanover 5 97	0	98⅛	98⅝	23/2	8.09	8.25
Midland Bank Perp 5	0¼	100⅛	100⅜	18/12	8⅛	8.15
Nat West Perp A 5¼ S	0¼	100	100¼	9/3	8⅛	8.24
Nat West Perp B 5¼ S	0⅛	100⅛	100⅜	16/2	8⅜	8.39
Roy Bk Scot 5¼ 2005 £	0	99⅛	99⅜	4/2	11⅝	11.64
Societe Generale 5¼ 97	0	100¼	100½	16/3	8⅜	8.37
United Kingdom 5 92	0	99⅞	100⅛	7/7	8.09	8.09

Average price change On day 0 on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 99	4/84	1053.64	129¾	129¾	−0½	8.39
Comcast 7 2000	12/85	23.875	†113	114	+	22.46
Fanuc 3¾ 98	1/84	7032.3	203⅞	205⅞	+1⅜	62.43
Fuji Hvy Inds 3 2000	8/85	679	94⅛	95⅜	+0⅛	3.38
Fujitsu 3 99	5/84	1320.9	107¾	108¾	+2⅛	12.36
Kumagai Gumi 3½ 2000	3/85	800	176½	178	+2½	18.22
Marui 3½ 99	7/84	1162	151⅛	152⅛	0	−1.87
Mitsubishi Bank 2⅞ 00	8/85	1799	100½	101¾	+2⅜	−0.30
Mitsubishi Elec 2⅞ 00	3/85	422	104⅛	105⅛	+0⅞	−0.42
Murata 3½ 2000	7/84	2398	130½	131½	+5⅛	17.98
Nippon Elec 2½ 2000	1/85	1295	127⅜	128⅜	0	65.11
Nippon Oil Co 3 2000	5/85	923	109⅛	110⅛	+0⅜	1.85
Oki Elec Ind 3½ 99	10/84	805	105⅛	106⅞	−0⅜	−0.44
Sekisui House 3 99	6/84	612	157¼	158½	−0⅛	8.42
Sumitomo Bank 2¾ 2000	8/85	2142	97⅜	98⅜	+3½	2.30
Sumitomo Corp 2⅝ 99	5/84	583	137⅝	138⅝	+3½	2.38
Taiyo Yuden 3¼ 2000	3/85	1078	†111	113	−1	−2.02
Takeda Riken 3⅝ 2000	10/84	7963	†106	108	+1	9.02
Tokyo Sanyo Elec 3½ 99	12/84	772	101⅛	102⅜	+0½	−1.53
Toshiba Ceramics 3 2000	4/85	1734.2	102⅛	103⅝	+1	2.96
Nippon Oil Co 2⅞ 92 SF	3/84	1052	†101⅜	102¼	0	20.74
Nippon Shinpan Co 2 95 SF	3/84	801	†111¼	112	+1⅛	22.84
Asics 5 95 DM	12/83	520	107¾	108¾	0	19.91
Renown 3⅜ 90 DM	3/85	675	104	105	−1⅜	−5.83
Sun Realty 6¼ 92 DM	2/83	335	†301½	302½	+10	−2.84

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡ three month; § above mean rate) for U.S. dollars. C.cpn = current coupon. C.yld = current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

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Cyprus Minerals takes charge for investment

CYPRUS MINERALS, which was recently spun off from Amoco, the Chicago oil company, is to take a $425m fourth-quarter charge to cover investment in its Thompson Creek molybdenum mine in Challis, Idaho, and certain copper and coal assets, writes *William Hall in New York.*

Mr Kenneth Barr, chief executive of Cyprus, said that the write-offs were being taken after a thorough reassessment of all of Cyprus's assets and operating plans "in the light of today's business conditions." It would give the company a more realistic net worth

The effect of the write-offs will be to reduce Cyprus's net worth from $1.2bn, or $46.82 a share, to $805m, or $30.66. Long-term debt as a percentage of total capitalisation will increase to 17.7 per cent of total capitalisation, which the company believes is "low by industry standards."

● Fluor, the US engineering and construction group that warned in October it would take a large fourth-quarter charge, dived from a net loss of $21.85m to $569.9m in its fourth quarter to October 31. This left the deficit for the year at $633m, compared with a profit of $1.01m, or 1 cent a share, last time.

Sales for the 12 months dipped to $4.17bn from $4.3bn, with $1.09bn against $1.01bn coming in the latest quarter.

Operating loss for the three months was $510.08m. The final figure was after a $9.72m extraordinary charge for asset writedowns and restructuring costs.

During the year the company was adversely affected by a prolonged coal strike and reorganisation expenses on top of losses in its core business of engineering, construction and natural resources management.

At the year-end, long-term debt stood at $259m, or 20 per cent of capital, down from $486m, or 64 per cent, a year ago.

The full-year results were after a $18.36m extraordinary charge for writedowns and restructuring.

Transport group allows for large cut in workforce

CSX, the large US transport group, is taking a $954m pre-tax charge in the fourth quarter, writes our New York staff.

The bulk of it covers provisions for a substantial cut in its workforce and the reorganisation of its important railroad business.

CSX, as reported in brief yesterday, plans to reduce its rail-related employment levels by some 12 per cent by accelerating a voluntary separation programme. An estimated 6,700 contract and non-contract rail employees will be offered severance pay, *and the company says* that $327m of the charge will be related to this.

Another $515m is related to write-downs of track, equipment *and miscellaneous railroad investments.* CSX is writing off more than 1,000 miles of unproductive track, 600 surplus and outdated locomotives and over 41,000 idle railroad freight cars.

The balance of the special charge covers write-downs of the group's energy assets, principally in the coal industry, to reflect their re*duced value due to weak market* conditions.

CSX is the latest in a string of major US companies announcing year-end write-offs

Mr Hays Watkins, CSX's chief executive, announced the write-offs as part of a series of measures, including a major reorganisation of railroad operations

WORLD STOCK MARKETS

CHECK EVERY DAY IN THE FT

November 25, 1985

BankAmerica Corporation

has sold its two wholly-owned finance subsidiaries

FinanceAmerica Corporation

and

BA Financial Services Corporation

to

Chrysler Financial Corporation

The undersigned assisted in the negotiations and acted as financial advisor to BankAmerica Corporation.

Salomon Brothers Inc

One New York Plaza, New York, New York 10004
Atlanta, Boston, Chicago, Dallas, London (affiliate)
Los Angeles, San Francisco, Tokyo (affiliate)
Member of Major Securities and Commodities Exchanges.

All of these securities having been sold, this announcement appears solely for purposes of information.

NEW ISSUE

November 18, 1985

$200,000,000

New Zealand

10⅝% Notes Due November 15, 2005

The First Boston Corporation | Kidder, Peabody & Co. Incorporated

Salomon Brothers Inc | Goldman, Sachs & Co.

Merrill Lynch Capital Markets | Morgan Stanley & Co. Incorporated

Shearson Lehman Brothers Inc. | Bear, Stearns & Co. Inc. | Alex. Brown & Sons Incorporated

Daiwa Securities America Inc. | Deutsche Bank Capital Corporation | Dillon, Read & Co. Inc.

Donaldson, Lufkin & Jenrette Securities Corporation | Drexel Burnham Lambert Incorporated | E. F. Hutton & Company Inc.

The Nikko Securities Co. International, Inc. | Nomura Securities International, Inc. | PaineWebber Incorporated

Prudential-Bache Securities | L. F. Rothschild, Unterberg, Towbin | Smith Barney, Harris Upham & Co. Incorporated

Swiss Bank Corporation International Securities Inc. | UBS Securities Inc. | Wertheim & Co., Inc.

Dean Witter Reynolds Inc. | Yamaichi International (America), Inc.

U.S. $70,000,000

Banco Nacional de Desarrollo

(an Autonomous Entity of the Argentine Republic)

Floating Rate Notes Due 1987

BND

For the six months
13th December, 1985 to 13th June, 1986

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest has been fixed at 9½ per cent and that the interest payable on the relevant interest payment date, 13th June, 1986 against Coupon No. 10 will be U.S. $48.03.

Agent Bank:
Morgan Guaranty Trust Company of New York
London

The Royal Bank of Scotland Group plc

US$350,000,000

Undated Floating Rate Primary Capital Notes

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the Interest Period from 11th December, 1985 to 11th June, 1986, the Notes will bear a Rate of Interest of 8⅜% per annum. The amount of interest payable on 11th June, 1986 will be US$426.56 per US$10,000 Note, and US$10,664.06 per US$250,000 Note.

Agent Bank

CHARTERHOUSE JAPHET

A member of The Royal Bank of Scotland Group

This announcement appears as a matter of record only. NOVEMBER 1985

Akzo

Akzo N.V.

Arranger
Credit Suisse First Boston Limited

U.S. $100,000,000
Revolving Credit Facility

Lead Managers
Algemene Bank Nederland N.V. | Credit Suisse

Managers
Bank Cantrade AG | Banque Nationale de Paris | Deutsche Bank Compagnie Financière Luxembourg
Generale Bank S.A./N.V. | Kredietbank N.V. | F. van Lanschot Bankiers N.V.
Nederlandsche Middenstandsbank nv | Société Générale | Swiss Bank Corporation

Facility Agent Algemene Bank Nederland N.V. | *Swingline Agent* Credit Suisse

U.S. $150,000,000
Uncommitted Advances and Acceptances Facility

Tender Panel Members
Algemene Bank Nederland N.V. | Bank of Tokyo (Holland) N.V.
Banque Belge Limited | Banque Nationale de Paris | Banque Paribas
Credit Suisse | Creditanstalt-Bankverein | Deutsche Bank Aktiengesellschaft London Branch
Generale Bank S.A./N.V. | Kleinwort, Benson Limited | Kredietbank N.V.
Morgan Guaranty Trust Company of New York | Nederlandsche Middenstandsbank nv
Société Générale | Swiss Bank Corporation | S. G. Warburg & Co. Ltd.

Tender Panel Agent
Credit Suisse First Boston Limited

U.S. $150,000,000
Euro-Commercial Paper Programme

Sole Dealer
Credit Suisse First Boston Limited

Issue Agent Credit Suisse First Boston Limited | *Paying Agent* Algemene Bank Nederland N.V.

NEW ISSUE — *These Bonds having been sold, this announcement appears as a matter of record only.* — NOVEMBER 1985

ECU 75,000,000

Petrocorp

Petrocorp Overseas Finance Limited

(Incorporated with limited liability in the Cayman Islands)

9% Guaranteed Bonds Due 1993

Unconditionally and irrevocably guaranteed by

Petroleum Corporation of New Zealand Limited

(Incorporated with limited liability in New Zealand and wholly owned by New Zealand)

Credit Suisse First Boston Limited | Banque Paribas Capital Markets Limited
Bank of New Zealand | Banque Bruxelles Lambert S.A.
Commerzbank Aktiengesellschaft | Crédit Lyonnais
Daiwa Europe Limited | Deutsche Bank Capital Markets Limited
EBC Amro Bank Limited | Girozentrale und Bank der österreichischen Sparkassen Aktiengesellschaft
Kredietbank International Group | Morgan Guaranty Ltd
Morgan Stanley International | Orion Royal Bank Limited
Swiss Bank Corporation International Limited | S. G. Warburg & Co. Ltd.

BankAmerica Capital Markets Group | Bank Leu International Ltd. | Bank of Tokyo International Limited
Banque Internationale à Luxembourg S.A. | Banque Nationale de Paris | Berliner Handels- und Frankfurter Bank
Clariden Bank | Compagnie de Banque et d'Investissements, CBI | Crédit du Nord
Creditanstalt-Bankverein | Dresdner Bank Aktiengesellschaft | Generale Bank
Grindlay Brandts Limited | Lloyds Merchant Bank Limited | London & Continental Bankers Limited
The Nikko Securities Co., (Europe) Ltd | Nippon European Bank S.A. | PaineWebber International
Sanwa International Limited | J. Henry Schroder Bank AG | Sumitomo Trust International Limited
Tokai International Limited | Westdeutsche Landesbank Girozentrale | Yamaichi International (Europe) Limited

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U.S. $100,000,000

COMMONWEALTH BANK OF AUSTRALIA

A Statutory Corporation of the Commonwealth of Australia

10% Notes Due 1993

The Commonwealth of Australia guarantees the payment of all moneys that are, or may at any time become, payable by the Commonwealth Bank of Australia

Credit Suisse First Boston Limited | Salomon Brothers International Limited
Deutsche Bank Capital Markets Limited | Merrill Lynch Capital Markets
Swiss Bank Corporation International Limited | Union Bank of Switzerland (Securities) Limited
BankAmerica Capital Markets Group | Banque Bruxelles Lambert S.A.
Banque Nationale de Paris | Commonwealth Bank of Australia
County Bank Limited | Kidder, Peabody International Limited
Morgan Guaranty Ltd | Nomura International Limited
Orion Royal Bank Limited

NEW ISSUE — *These Shares having been sold, this announcement appears as a matter of record only.* — DECEMBER 1985

«Holderbank»

«Holderbank» Financière Glaris Ltd.

60,000 Bearer Shares
of Sfr. 500 nominal value each

Credit Suisse First Boston Limited

Bank Leu International Ltd. | Swiss Bank Corporation International Limited
Union Bank of Switzerland (Securities) Limited | Julius Baer International Limited
Banca della Svizzera Italiana | Banque Bruxelles Lambert S.A.
Banque Paribas Capital Markets Limited | Cazenove & Co.
Citicorp Investment Bank Limited | Commerzbank Aktiengesellschaft
Daiwa Europe Limited | Deutsche Bank Capital Markets Limited
Dresdner Bank Aktiengesellschaft | Morgan Stanley International
Orion Royal Bank Limited | Pictet International Ltd | Swiss Volksbank

Algemene Bank Nederland N.V. | Banca Commerciale Italiana | Banca del Sempione | Bank für Gemeinwirtschaft Aktiengesellschaft
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Banque Scandinave en Suisse | Barclays Bank (Suisse) S.A. | Barclays Merchant Bank Limited | Baring Brothers & Co., Limited | Bayerische Vereinsbank Aktiengesellschaft
Joh. Berenberg, Gossler & Co. | Berliner Handels- und Frankfurter Bank | BFC-Banque Financière de la Cite | Bordier et Cie
Clariden Bank | Compagnie de Banque et d'Investissements, CBI | County Securities Limited | Crédit Commercial de France
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Sal. Oppenheim jr. & Cie | Pierson, Heldring & Pierson N.V. | Private Bank & Trust Company | Private Trust Bank Corporation Vaduz
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Trinkaus & Burkhardt | Unigestion SA Geneva | Vereins- und Westbank Aktiengesellschaft | M. M. Warburg-Brinckmann, Wirtz & Co.
Westdeutsche Landesbank Girozentrale | Wood Gundy Inc. | Yamaichi International (Europe) Limited | Zürcher Kantonalbank

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November 1985

BHP

US$1,000,000,000

BHP Finance Limited

Guaranteed by

The Broken Hill Proprietary Company Limited

Arranged by

County Bank Limited

and

County Australia Limited

US$300,000,000
Eurocommercial Paper Programme

Dealers

County Bank Limited — Credit Suisse First Boston Limited
First Interstate Capital Markets Limited — Merrill Lynch Capital Markets

US$700,000,000
Note Issuance Facility

Underwriting Banks

National Westminster Bank PLC
Algemene Bank Nederland N.V. — Australia and New Zealand Banking Group Limited
Barclays Bank Group (Australia) — BOT International (H.K.) Limited
Commonwealth Bank of Australia — Credit Suisse
Dai-Ichi Kangyo International Limited — Deutsche Bank Compagnie Financière Luxembourg
First Chicago Australia Limited — First Interstate Capital Markets Limited
Fuji International Finance Limited — The Hongkong and Shanghai Banking Corporation
IBJ International Limited — LTCB International Limited
Mitsubishi Finance (Hong Kong) Limited — Mitsubishi Trust Finance (Asia) Limited
Mitsui Finance International Limited — Mitsui Trust Bank (Europe) S.A.
National Australia Bank Limited — Nippon Credit International (Hong Kong) Limited
Sanwa International Finance Limited — Sumitomo Finance International
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LTCB International Limited — Merrill Lynch Capital Markets — Mitsubishi Finance (Hong Kong) Limited
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Morgan Grenfell & Co. Limited — Morgan Stanley International — National Australia Bank Limited
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Facility and Tender Panel Agent
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National Westminster Bank Group

INTL. COMPANIES & FINANCE

Canada's 'big six' banks see steady growth after impressive 1985

BY BERNARD SIMON IN TORONTO

WELL-PUBLICISED troubles among Canade's small banks earlier this year have diverted attention from the impressive performance and stability of the six biggest institutions.

In the past fortnight, the big six have reported aggregate growth of 17.3 per cent in earnings for the year to October 31. All have improved their return on assets, while setting aside substantial extra provisions to cover sovereign risk loans, and—with the exception of National Bank—strengthening their capital relative to assets. National's total capital ratio declined only marginally to a still-respectable 5.3 per cent.

The big six's already powerful position in Canadian financial markets has been enforced by the liquidation of two small Alberta banks last September, the disappearance of Mercantile Bank of Montreal as a separate entity, and a continuing struggle for survival by Continental Bank, the biggest of the second rank institutions.

Shares climb on back of strong demand

The three failed banks accounted for 1.8 per cent of total bank deposits and 2.2 per cent of assets in Canada. Their demise leaves the big six—Royal Bank of Canada, Bank of Montreal, Canadian Imperial Bank of Commerce (CIBC), Bank of Nova Scotia, Toronto-Dominion, and Netional—controlling even more than the 95 per cent of assets of domestic banks and 96 per cent of deposits they held at the end of July. About 6 per cent of total assets and deposits are in the hands of the 57 foreign bank subsidiaries operating in Canada.

The banks' shares have been in strong demand on the Toronto Stock Exchange. CIBC, the share price of which has climbed by more than 50 per cent in the past year to a record C$43, has announced a two-for-one share split.

Price/earnings multiples on Canadian bank shares are substantially higher than their US counterparts. A recent study by Salomon Brothers concluded that "Canadian bank shares appropriately value the national franchises of these institutions, the prudential provisioning of developing country loans, and improving domestic credit quality."

The question now is whether the big six can repeat this year's sparkling results in 1986. Neither bankers nor analysts foresee any serious problems. Mr Norman Roth, comptroller at Toronto-Dominion, expects the industry's net earnings to rise by 7 per cent to 10 per cent in fiscal 1986.

The Canadian economy is expected to grow by at least 3 per cent in real terms next year, with much of the impetus coming from corporate investment. Lower interest rates should sustain the recent boom in house-buying and thus the banks' mortgage and consumer loan business. Wider interest rate spreads, which played a key role in boosting 1985 profits, may help the banks again next year.

Their retail business has become increasingly sensitive to interest rate changes. Toronto-Dominion expects that by next year more than half its cheque and savings account customers will be taking advantage of daily interest rate schemes.

However, these encouraging trends are likely to be offset by extra burdens which the banks know they will have to carry in 1986. Last May's federal budget imposed a 2 per cent tax on the big banks' capital and a 5 per cent surcharge on corporate income tax. The imposts will bear heaviest on the most profitable and strongly capitalised institutions, such as T-D and Netional.

Furthermore, the Government plans to treble banks' premiums to the Canada Deposit Insurance Corporation, the resources of which have been depleted by payouts in the past three years to depositors in several failed trust companies and, more recently, the two Alberta banks. CDIC contributions are due to rise soon from 1-30th of 1 per cent to 1-10th of 1 per cent.

The five-year averaging method used by Canadian banks to determine loan loss provisions will substantially raise the amounts they set aside next year. Loan losses in 1981, which were taken into account for this year's provisions, were low. For example, Royal Bank's loan losses jumped from C$219m in 1981 to C$680m in 1982. Despite drops in the past two years, Royal's losses still stood at C$685m (US$489m) in fiscal 1985.

Mr Roy Palmer, bank analyst at Alfred Bunting and Co, forecasts that loan losses for the six banks will total at least C$2bn next year, compared to C$935m in 1981.

All the banks will continue to set aside substantial amounts to meet higher reserve targets suggested by the Inspector-General of Banks for loans to a group of 32 troubled third world and eastern bloc borrowers.

The progress of individual banks in meeting the targets—understood to be 10 per cent to 15 per cent of total exposure to these countries—has varied widely. By the end of October, National Bank's provisions had reached 11.3 per cent of its exposure, while T-D's were only 8.5 per cent.

Bank of Nova Scotia does not publish details of provisions for specific groups of borrowers, but its initial reluctance to comply with the Inspector-General's directives has convinced some analysts that it has the furthest to go to meet the guidelines. The opposition of BNS was based on the argument that it makes little sense to lump 32 countries together as if they are equal risks and the exposure of each bank to them is the same. Nonetheless, Mr Robert Brooks, the bank's executive vice-president for finance says, "We will be at 10 per cent or thereabouts by the end of 1986."

Mr Brooks says that the negative impact of higher specific provisions and of the five-year averaging formula will make it "very difficult" for BNS to reach its targeted returns on assets and capital in 1986.

Similarly, Toronto-Dominion and National, which have been the envy of the industry over the past few years, will have difficulty sustaining the sizzling pace. Royal Bank is expected to turn in a solid, but unspectacular, performance in 1986.

That leaves CIBC and Bank of Montreel. Miss Edna Chapman, bank analyst at Wood Gundy, says that these two "are the banks where the momentum of improving fundamentals are firmly in place." Bank of Montreal is the only one of the six whose actual loan losses have fallen below provisions, enabling it to use "surplus" provisions to augment its equity. The 1984 acquisition of Harris Bankcorp, a healthy Chicago bank, has strengthened its foreign business.

Tarnished by exposure to lame ducks

CIBC, whose reputation was severely tarnished in the early 1980s by its heavy exposure to lame ducks like Dome Petroleum and Massey Ferguson, has staged a come-back. Under a more open and less autocratic senior management, the bank's return on assets improved by nine points in 1985. Its capital ratio has risen from 3.1 per cent to 4.1 per cent in the past year, with return on equity advancing from 10.4 per cent to 12.1 per cent.

CANADIAN BIG SIX BANK RESULTS

	Net earnings (C$m) 1985	Net earnings (C$m) 1984	Return on assets (%) 1985	Return on assets (%) 1984
Royal Bank	438.1	450.1	0.53	0.52
Bank of Montreal	339.2	283.4	0.43	0.42
CIBC	361.4	282.4	0.49	0.41
Bank of Nova Scotia	303.4	271.7	0.51	0.48
Toronto-Dominion Bank	415.4	355.8	0.85	0.80
National Bank	153.7	114.2	0.73	0.62

This advertisement complies with the requirements of the Council of The Stock Exchange of the United Kingdom and the Republic of Ireland.

SAINSBURY'S

J Sainsbury plc

(Incorporated in England under the Companies Acts 1908 to 1917, registered number 185647)

Issue of up to

£100,000,000 10⅞ per cent. Notes 1993

of which £60,000,000 is being issued as the Initial Tranche at an Issue Price of 100 per cent.

The following have agreed to subscribe or procure subscribers for the Initial Tranche of the Notes:—

S. G. Warburg & Co. Ltd.

Banque Bruxelles Lambert S.A. — Banque Paribas Capital Markets Limited
Barclays Merchant Bank Limited — Baring Brothers & Co., Limited
County Bank Limited — Credit Suisse First Boston Limited
Dresdner Bank Aktiengesellschaft — Genossenschaftliche Zentralbank Aktiengesellschaft
Goldman Sachs International Corp. — Lloyds Merchant Bank Limited
Samuel Montagu & Co. Limited — Morgan Guaranty Ltd
Nomura International Limited — Salomon Brothers International Limited
Swiss Bank Corporation International Limited — Union Bank of Switzerland (Securities) Limited
Wood Gundy Inc. — Yamaichi International (Europe) Limited

Application has been made to the Council of The Stock Exchange of the United Kingdom and the Republic of Ireland for the Notes (in the denomination of £5,000 each) to be admitted to the Official List. Interest is payable annually in arrear on 7th January, the first such payment being due on 7th January, 1987.

Details of the Notes are available in the Extel Statistical Services. Copies of the listing particulars may be obtained during usual business hours on any weekday (Saturdays and public holidays excepted) up to and including 17th December, 1985 from the Company Announcements Office of the The Stock Exchange and up to and including 27th December, 1985 from:—

Rowe & Pitman, 1 Finsbury Avenue, London EC2M 2PA.

J Sainsbury plc, Stamford House, Stamford Street, London SE1 9LL.

Citibank, N.A., Citibank House, 336 Strand, London WC2R 1HB.

S. G. Warburg & Co. Ltd., 33 King William Street, London EC4R 9AS.

13th December, 1985

LINCOLN SAVINGS AND LOAN ASSOCIATION

U.S.$100,000,000
Collateralized Floating Rate Notes due 1999

For the six months 12th December 1985 to 12th June 1986 the notes will carry an interest rate of 8⁵⁄₁₆% per annum with an interest amount of U.S.$2101.22 per U.S.$50,000 nominal. The relevant interest payment date will be 12th June 1986

Listed on the Luxembourg Stock Exchange

Bankers Trust Company
Agent Bank

RENFE

RED NACIONAL DE LOS FERROCARRILES ESPANOLES

Ecu 46,500,000

GUARANTEED FLOATING RATE NOTES DUE 1994

for the six months 13 December 1985 to 13 June 1986 each note will carry an interest rate of 9¹¹⁄₃₂% per annum and a coupon amounting to Ecu 502.4

LISTED ON THE LUXEMBOURG STOCK EXCHANGE

By: Banque Indosuez
Agent Bank

Being Dutch is not enough

NOT IN INTERNATIONAL BANKING

The Dutch have a worldwide reputation. For being good, astute businessmen. We're proud of this. But we also know that it's just not enough. Not in the world of international banking which grows daily more complex and sophisticated.

Today, AMRO has an international banking capability precisely tuned to institutional, commercial and corporate needs. Indeed, we are built around them.

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Amro Bank
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ANTWERP BASLE BEIJING BERLIN BERNE BONN COLOGNE COLOMBO DUBAI DUSSELDORF FRANKFURT GENEVA HAMBURG HONG KONG HOUSTON JAKARTA LONDON LOS ANGELES MELBOURNE MONCHENGLADBACH MOSCOW MUNSTER NEW DELHI NEW YORK PARIS SAN FRANCISCO SINGAPORE SYDNEY TAIPEI TOKYO ZURICH

INTL. COMPANIES & FINANCE

India launches first foreign fund

BY JOHN ELLIOTT IN NEW DELHI AND CHRIS SHERWELL IN SINGAPORE

INDIA is to open its stock exchanges to foreign investors for the first time since it geined independence 38 years ago by allowing a foreign-based fund to buy equities through the government-owned unit trust of India.

Merrill Lynch of the US has won the mandate for the fund—called the Indie International Fund and totalling around $60m—and is distributing it through world markets.

Last week Merrill brought e group of possible lead institutionel investors to Indie from concerns such as Baring Internationsl, Rowe Price-Fleming and Fidelity International.

The fund will probably be listed on a European stock exchange, possibly in London.

India is gradually opening up its economy to foreign investment and technology in industrial joint ventures. It has also been allowing Indians living abroad — called non-resident Iodiens or NRIs — access to financial markets and industrial investment in the past five years.

But notil now it hae not allowed other foreign investors to trade even indirectly on the country's stock exchanges, which have been buoyant since Mr Rajiv Gandhi became Prime Minister a year ago.

The scheme seen in New Delhi as a pilot project which may be followed leter by more direct foreign access to tha stock markets.

It is also significant beceuse it will bring foreign capital into India as equity rather than loans at a time when the Government is looking for ways of increasing its commercial borrowings abroad without raising its debt service ratio, currently standing at under 15 per cent, beyond 20 per cent.

The country's Planning Commission expects foreign borrowings to rise from $1.2bn a yeer to an average of $2bn by 1990, but the World Bank has suggested that a much higher figure of $5.2bn a year will be needed to help bridge e resources gep at a time when concessionary aid is declining.

The breakthrough for Merrill Lynch follows a similar development in Thailand. In July, the US group and a Thai securities firm launched the Bangkok Fund, which was also a mutual fund for foreigners to invest in the Securities Exchange of Thailand.

Initial subscriptions were disappointing, however, totalling some US$11m, less than the originally targeted $15m to $20m. The timing of the lauoch was unfortunate, not least because the Thai economic outlook has worsened in recent months, and this contributed to the response.

Merrill, the largest securities house in the US, has embarked on a push into Asia over receot years, spearheaded by its operations in Tokyo. In March it also formed a joint venture with Ayala International, headed by Mr Enrique Zobel, a leading Philippine entrepreneur.

For the Indian scheme, the Government is keeoiog effective control of the investments by channelling the fund through the Bombay-based Unit Trust of India (UTI) as fund manager.

UTI is India's only unit trust and was set up in 1964 as an asociate institution of the Iodustrial Develoopment Benk of Iodie to mobilise small savings

Other international banks which have linked up with Indian private-sector business houses to invest non-resident Indian funds in India and abroad includes S. G. Warburg and Hill Samuel of the UK. But they have not been ellowed into the wider market of other foreign investors.

Malaysian lifeboat plan for Grand United

BY WONG SULONG IN KUALA LUMPUR

WILLINGNESS expressed by the powerful Associated Chinese Chamber of Commerce and Industry of Malaysia to buy a controlling stake in Grand United Holdings (GUH), the master company of Mr Tan Koon Swan, offers a lifeboet to the beleaguered Malaysian entrepreneur - turned - politician, and provides an insight to the significance of personal ties in Chinese business.

For the past month, the 45-year-old Mr Tan—the newly elected president of the Malaysian Chinese Association, the largest Chinese political party in Malaysia—has been deeply eotangled in the affairs of Pan-Electric Industries of Singapore, the collapse of which has caused hevoc on local stock markets end threatened business confidence in the two countries.

Although Mr Ten reached egreement oo Wednesdey with the receivers, the creditor banks end the Monetary Authority of Singapore on an interim rescue plan for Pen-Electrics confidence in his publicly listed companies—GUH, Supreme Corporation and Everpeace—has been so badly affected that they remain suspended on both stock exchanges, and banks bave been wary of accepting their shares as collateral.

GUH holds 49 per cent in Supreme, and together they hold more than half of Everpeace. GUH also holds 43 per cent in Sigma International, which has 22 per cent of Pan-Electric. GUH has said that epert from this ownership, neither it nor Supreme has any other commitments to Pan-Electric.

The full extent of Mr Tan'e personal involvement in Pan-Electric is unclear. It is but substantial enough to warrant his involvement in the rescue.

The membership of the Chamber of Commerce comprises the Who's Who in the Melaysian Chinese business community. "We are talking of peoole who can raise a few hundred million dollars by making a few phone calls," said one banker.

The chamber is unlike its counterparts in the West or even other ethnic chambers of commerce in Malaysia. It not only looks after the interests of its members, but acts as an arbitretor in disputes, and provides the social and political leadership to the Chinese Community in times of crisis or when a vacuum exists.

Such a role was played by the Chinese Chamber of Commerce during and efter the Japanese occupation of Malaya, during the Communist emergency of 1948-60, and after the racial riots of 1969.

When the Chinese boycotted cigarettes of Rothmans Malaysia in the lete 1960s and Malaysian Tobacco Company in the late 1970s, the effect was devastating. Both companies had to secure the help of the chamber to get the boycott lifted.

The chamber said Unico, its investment arm, would be negotiating to take at least e 30 per cent stake in Grand United. A merchant bank is to be appointed soon to advise Unico and Mr Tan, and the deal is expected to be consummated by February.

Publicly, both parties are oresenting the brighter side of the picture. Unico says it is gotog in for good commercial reasons. By taking over GUH, it will control three diversified listed companiea. Mr Tan says the ioteoded sale is in accord with his pledge to scale down his busioess interests as he takes on an active political role.

He and his family are believed to hold betweeo 35 and 45 per cent of GUH. If he decides to sell more than 30 per cent, other cash-rich Chinese companies, apart from Unico, would be persuaded to come in.

There are other pressiog reasons for the deal. A Uolco takeover of GUH will restore some confidence in the group companies, allowing them to be relisted without the panic selling which might ensure if the group were to remain under Mr Tan, who would at the same time receive a big injectioo of badly-needed cash.

Tan Sri Wee Booo Ping, president of the Chamber of Commerce and a close friend of Dr Mahathir Mo, the Malaysian Prime Miolster, said Unico has cash of 50m ringgit ($20.8m) aod could finance the GUH takeover either through a rights issue or a bank loan.

As at June 1985, GUH had issued capital of 223m ringgit, and shareholders funds of 428m ringgit, while Supreme has paid-up equity of 242m ringgit and shareholders' funds of 278m ringgit. Their sheres were suspended at 1.19 and 1.39 ringgit respectively.

MAS TAKES OFF ON MONDAY

SHARES OF Malaysian Airline System are to be listed on the Kuala Lumpur Stock Exchange on Monday, according to Raja Mohar, the airline's chairman, Wong Sulong writes from Kuala Lumpur.

MAS shares were originally planned to ge on sale last Monday, but the launch was postponed because of uncertaiety in the market owing to the crisis surrounding Pan-Electric, the Singapore conglomerate, and Mr Tan Koon Swan, the Malaysian entrepreneur-turned-politician.

A tetal of 105m of the 350m shares in the airline were offered to the public recently to raise 189m ringgit (US$77.7m).

On the "grey" market, MAS shares had been fetching as much as 3.2 ringgit, but the current value has dropped to around 2.2 ringgit.

Raja Mohar also announced a 19 per cent drop in MAS pre-tax profits to 76.4m ringgit for the first half to September, because of a decline in yields on the domestic sector and the stronger US dollar. Second-half results, however, are expected to improve, and the full year's pre-tax profit is expected to exceed the 106m ringgit forecast

XXI

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DAIWA EUROPE LIMITED

JAPANESE EQUITY WARRANTS SERVICE

ISSUER—Warrant expiry date	Current Market Prices Wmt BID (%)	Wmt OFFER (%)	Share Price (Yen)	Offer Calculations Premium (%)	Gearing	Parity (%)
AICA KOGYO 17/8/90	30.50	32 00	760	18 1e	3.97	8 91
AJINOMOTO 3/12/90	27.00	28 50	1,150	26.28	3 60	1.52
CASIO COMPUTERS 6/3/89	62.50	64 00	1,860	4.19	2.70	56 77
C. ITOH (NEW) 4/5/89	35.50	37.00	404	11.90	3.60	21.12
C. ITOH (OLD) 20/1/87	57.00	61.00	404	30.32	2.18	20.72
DOWA MINING 20/7/90	11.50	13.00	540	57.42	6.42	−34.95
FUJIKURA CABLE 28/4/89	26.50	28.00	377	28.43	3.88	−2 88
GUNZE LTD 23/11/90	18.00	19.50	607	24.25	4.93	−3.80
HAZAMA GUMI 1/11/89	12.50	14.00	382	37.13	7.10	−22.88
JAPAN SYN RUBBER 28/4/89	12.00	13.50	341	45.94	6.36	−25.92
JUSCO 22/12/88	96.00	101 00	965	9.51	1.99	81 91
KAYABA INDUSTRIES 15/2/89	26.00	27.50	300	14.28	4.58	9.53
KOKUSAI KOGYO 19/9/90	38 00	39.50	2,150	18.78	3.41	14.17
KOMORI PRINTING 20/12/89	35.50	37.00	2,120	25.75	3.42	4.38
MARUBENI 30/9/92	19 00	20.50	323	38.85	4.93	−18.78
MARUZEN 12/2/90	37.50	39.00	590	17.42	3.67	14.10
MINEBEA ($) 20/2/89	61.00	65.00	695	70.79	1.63	−10.07
MIT CHEMICAL 20/1/87	97.00	101.00	524	16.13	1.81	71 51
MIT CORPORATION 7/11/88	37.00	28 50	589	12.97	3.56	20.72
MIT ESTATES 16/10/92	34.00	35.50	1,110	32.14	3 06	0 59
MIT GAS & CHEM 20/3/89	28.00	29.50	360	14 80	4.16	11.59
MITSUI E/S (NEW) 15/10/88	12.00	13.50	141	33 07	7.18	−16 57
MITSUI E/S (OLD) 10/12/87	26.00	28.00	141	25.99	4.32	−3.43
MIT METAL (OLD) 10/2/89	86.00	90.00	550	50.78	1.52	20.67
MIT METAL (NEW) 10/11/89	15.00	16.50	550	44.85	5.69	−25.80
MITSUI PETROCHEM 15/2/90	48.50	50.00	471	11.88	3.21	30.96
NIPPON MINING (OLD) 17/3/89	96 00	101 00	374	46.83	1.43	33.20
NIPPON MINING (NEW) 15/6/90	13.50	15 00	374	42.97	6.48	−26.76
NIPPON YUSEN KK 18/10/90	24.00	25 50	344	30.92	3.98	−5.91
NISSHO IWAI 1/2/89	15 50	17 00	253	26.88	6.17	−11.19
NOMURA SECURITIES 31/10/89	74 00	75 50	1,110	4.34	2.42	67.58
OHBAYASHI GUMI 5/4/89	63 00	67.00	362	6.01	2.46	53.78
OMRON TATEISHI 31/3/89	15.00	16 50	1,650	58 49	4 67	−30 49
ONODA CEMENT 28/2/90	19.00	20.50	319	28.24	5.69	−12.43
OPTEC DAI-ICHI 23/2/90	35.00	36.50	695	21.69	3.72	7.04
OSAKA TRANS 29/1/90	32.50	34.00	550	16.47	3.97	9.08
RENOWN 24/1/88	19.00	20 50	731	25 58	5.30	−7.28
RICOH 20/9/90	49.00	50 50	1,140	10.96	3 06	33.58
RYOBI LTD 25/5/90	34.50	26.00	390	29.08	4.46	−7.73
SEINO TRANSPORT 17/3/89	30.50	32.00	1,250	19.67	3 71	8.68
SEIYU STORES 20/3/87	67.00	72 00	847	20.79	2.15	39.83
SEKISUI CHEMICAL 20/9/90	57.50	58.00	648	18.31	2.58	31.18
SONY CORPORATION 26/4/90	29.50	31.00	4,130	34.78	3.76	−9.58
SUMI CONSTRUCTION 24/3/89	60.00	64.00	279	9 34	2.52	48.95
SUMI HEAVY 24/2/89	17.00	18.50	206	23 22	6.89	−6 81
SUMI REALTY (NEW) 13/12/90	30.00	31.50	1,080	22.61	3.43	7.10
SUMI REALTY (OLD) 21/11/89	128.00	129.50	1,080	−0.44	1.95	130.61
TOKYO ELECTRIC 14/3/89	20.50	22.00	1,330	25.27	5 00	−5.79
TOKYO SANYO 8/6/87	161.00	165.00	635	63.47	1 08	54.13
TOKYU CORP (OLD) 29/1/90	97.50	99.00	550	5.72	2.15	86.81
TOKYU CORP (NEW) 28/10/90	25.00	26.50	550	38.71	3.64	−10 89
TOKYU DEPT STORES 20/7/90	50.50	52 00	618	15 91	2.91	27.92
TORAY INDS (OLD) 5/3/87	35.00	36.50	519	14.00	3.65	17.83
TORAY INDS (NEW) 10/12/90	24 00	25.50	519	28 66	3.82	−2.44
TOYO ENGINEERING 28/2/89	56 00	60.00	769	29.61	2.26	19.83
YAMAMURA GLASS 8/5/90	15.00	16.50	434	33.58	6 34	−18 64
YAMATO KOGYO 29/1/90	15.00	16.50	549	27.47	6.79	−14.29
STERLING DENOMINATED WARRANTS						
MINEBEA (C) 15/3/90	45.00	50 00	695	46.66	2.07	1.70

Reuters Monitor DABF/G/H/I/J/K/L—Further information from: Freddy Glock, Beverly Kelly or Edward Cartwright on 01-236 6060 Daiwa Europe Limited, 14 St Paul's Churchyard, London EC4M 8BD

BASE LENDING RATES

ABN Bank	11½%	■ Guinness Mahon	11½%
Allied Dunbar & Co.	11½%	■ Hambros Bank	11½%
Allied Irish Bank	11½%	Heritable & Gen. Trust	11½%
American Express Bk.	11½%	■ Hill Samuel	§11½%
Amro Bank	11½%	C. Hoare & Co.	11½%
Henry Ansbacher	11½%	Hongkong & Shanghai	11½%
Associates Cap. Corp.	12 %	Johnson Matthey Bkrs.	11½%
Banco de Bilbao	11½%	Knowsley & Co. Ltd.	12 %
Bank Hapoalim	11½%	Lloyds Bank	11½%
Bank Leumi (UK)	11½%	Edward Manson & Co.	12½%
BCCI	11½%	Meghraj & Sons Ltd.	11½%
Bank of Ireland	11½%	Midland Bank	11½%
Bank of Cyprus	11½%	■ Morgan Grenfell	11½%
Bank of India	11½%	Mount Credit Corp. Ltd.	11½%
Bank of Scotland	11½%	National Bk. of Kuwait	11½%
Banque Belge Ltd.	11½%	National Giro Bank	11½%
Barclays Bank	11½%	National Westminster	11½%
Beneficial Trust Ltd.	12½%	Northern Bank Ltd.	11½%
Brit. Bank of Mid East	11½%	Norwich Gen. Trust	11½%
■ Brown Shipley	11½%	People's Trust	12½%
CL Bank Nederland	11½%	PK Finans. Intl. (UK)	12 %
Canada Permanent	11½%	Provincial Trust Ltd.	12½%
Cayzer Ltd.	11½%	R. Raphael & Sons	11½%
Cedar Holdings	12 %	Roxburghe Guarantee	12 %
■ Charterhouse Japhet	11½%	Royal Bank of Scotland	11½%
Citibank NA	11½%	Royal Trust Co. Canada	11½%
Citibank Savings	¶12½%	Standard Chartered	‖11½%
City Merchants Bank	11½%	TCB	11½%
Clydesdale Bank	11½%	Trustee Savings Bank	11½%
C. E. Coates & Co. Ltd.	12 %	United Bank of Kuwait	11½%
Comm. Bk. N. East	11½%	United Mizrahi Bank	11½%
Consolidated Credits	11½%	Westpac Banking Corp.	11½%
Continental Trust Ltd.	11½%	Whiteaway Laidlaw	12 %
Co-operative Bank	*11½%	Yorkshire Bank	11½%
The Cyprus Popular Bk.	11½%		
Duncan Lawrie	11½%		
E. T. Trust	12 %		
Exeter Trust Ltd.	12 %		
Financial & Gen. Sec.	11½%		
First Nat. Fin. Corp.	12½%		
First Nat. Secs. Ltd.	12½%		
■ Robert Fleming & Co.	11½%		
Robert Fraser & Ptrs.	12½%		
Grindlays Bank	‡11½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 8.00%, 1-month 8.50%. Top Tier—£2,500+ at 3 months notice 11.25%. At call when £10,000+ remains deposited.
‡ Call deposits £1,000 and over 8.00% gross.
‖ 21-day deposits over £1,000 9.25%.
¶ Mortgage base rate.
§ Demand dep. 8%. Mortgage 13%.

Hill Samuel International Bond Fund Limited

(A company incorporated with limited liability in Jersey under the provisions of the Companies (Jersey) Laws 1861 to 1968)

SHARE CAPITAL Authorised U.S.$		Issued and Fully Paid as at 9th December 1985 U.S.$
100	Non-participating Founders Shares of $1	100
50,000	Participating Redeemable Preference Shares of 1 cent issued either as	
	Dollar Managed Shares	8,991
	or	
	Sterling Managed Shares	3,196
50,100		12,287

Application has been made to The Council of The Stock Exchange for the Participating Redeemable Preference Shares to be admitted to the Official List.

The Company is an open-ended investment company which may issue and redeem the Participating Redeemable Preference Shares at prices based on their underlying net asset value and it therefore operates like a unit trust or mutual fund.

Details of the Company and of the above securities are contained in an Extel Statistical Services card, copies of which may also be obtained during normal business hours on any normal working day up to and including 31st December, 1985 from:

Company Announcements Office, The Stock Exchange, Throgmorton Street, London EC2. (until 17th December 1985 only)

Wood Mackenzie & Co. Limited, 62-63 Threadneedle Street, London EC2R 8HP.

Hill Samuel Fund Managers (Jersey) Limited, 7 Bond Street, St. Helier, Jersey, Channel Islands. 13th December 1985

HS

This advertisement is issued in compliance with the requirements of The Council of The Stock Exchange. It does not constitute an offer of, or invitation to the public to subscribe for or to purchase, any securities.

These Notes having been sold, this announcement appears as a matter of record only.

September 1985

General Motors Acceptance Corporation of Canada, Limited
(Incorporated under the laws of Canada)

Can.$75,000,000

10⅜% Notes due 1990

Unconditionally guaranteed as to payment of principal and interest by

General Motors Acceptance Corporation
(Incorporated in the State of New York, United States of America)

Orion Royal Bank Limited

Amro International Limited
Banque Bruxelles Lambert S.A.
Banque Générale du Luxembourg S.A.
CIBC Limited
Commerzbank Aktiengesellschaft
Credit Suisse First Boston Limited
Dominion Securities Pitfield Limited
Dresdner Bank Aktiengesellschaft
Genossenschaftliche Zentralbank AG Vienna
Girozentrale und Bank der österreichischen Sparkassen Aktiengesellschaft
Hambros Bank Limited
Kredietbank International Group
Merrill Lynch Capital Markets
Morgan Stanley International
Nomura International Limited
Salomon Brothers International Limited
Société Générale
Swiss Bank Corporation International Limited
Toronto Dominion International Limited
Union Bank of Switzerland (Securities) Limited

Wood Gundy Inc.

These Notes having been sold, this announcement appears as a matter of record only.

November 1985

General Motors Acceptance Corporation of Canada, Limited
(Incorporated under the laws of Canada)

Can.$75,000,000

10½% Notes due 1991

Unconditionally guaranteed as to payment of principal and interest by

General Motors Acceptance Corporation
(Incorporated in the State of New York, United States of America)

Orion Royal Bank Limited

Algemene Bank Nederland N.V.
Bank of Montreal
Banque Bruxelles Lambert S.A.
Banque Générale du Luxembourg S.A.
Crédit Commercial de France
Crédit Lyonnais
Daiwa Europe Limited
Dominion Securities Pitfield Limited
Hambros Bank Limited
LTCB International Limited
Merrill Lynch Capital Markets
Nomura International Limited
Toronto Dominion International Limited
Union Bank of Switzerland (Securities) Limited
Banque Leu International Ltd.
Banque Scandinave en Suisse
Great Pacific Capital S.A.
Swiss Volksbank
United Overseas Bank S.A.
Verband Schweizerischer Kantonalbanken

UK COMPANY NEWS

Call traffic slowdown pegs BT

BY JASON CRISP

British Telecom yesterday reported pre-tax profits of £885m—slightly less than most analysts had expected—on sales 10 per cent higher at £4.05bn for the half year ending September 30. The profit in the first half of 1984-85 was £664m.

The main reason for the lower-than-expected profits has been a drop in growth in telephone traffic during the second quarter of the financial year. There was a fall of two percentage points in the rate of growth in the highly profitable international call traffic and a drop of one percentage point in the growth of inland calls in that quarter.

BT emphasised that the half year figures were in line with its own forecasts. However, the first quarter was better than expected, while the second was worse. Analysts were unsure whether the second quarter is a freak or marks the beginning of trend of slower growth.

The shares closed at 193p last night, down 1p.

BT also acknowledge that it would be happy to have e single supplier of System X digital telephone exchanges, although it would not comment on the GEC bid for Plessey.

The two electronic groups currently supply BT with roughly equal amounts of System X and both say it should be made a single entity. Yesterday, Mr Doug Perryman, finance director of BT, said that the company accepted the industrial logic of having one UK supplier of System X, particularly because it was buying s second system from Thorn-Ericsson, the joint venture between Thorn EMI and L. M. Ericsson.

The BT board declared an interim dividend of 3p per ordinary share, an increase of 15 per cent oo the notional dividend which would have been declared last year if it had been a private company. Dividend for the full year is likely to total 7.5p.

The only reason BT could find for the drop in call growth was because last year there had been a very strong corporate advertising campaign preceding the flotation, in addition to the promotion of telephone calling which has oot been repeated this year.

After allowing for the change in capital structure made prior to flotation BT's pre-tax profits for the half year rose £150m (22 per cent) and for the quarter they were up by £85m (18 per cent).

Operating costs were up 8 per cent in the six months, but this rose to 10 per cent with the inclusion of currency losses of £20m resulting from the strength of sterling, compared with a £23m gain last year.

The largest single operating cost was staff, which rose 5 per cent to £751m. The rate of job losses accelerated in the second quarter and total 1,000 for tha six month period and are expected to exceed 3,000 for the full year.

Capital expenditure for the half year rose to £868m indicating it is unlikely BT will meet its original target of spending £2bn for the full year. Some £162m was spent on System X although most of that has gone into the trunk network. There are still very few local lines of System X and almost all of those are linked to BT's own offices.

Sir George Jefferson, chairman of British Telecom.

BT confirmed yesterday that it was likely to continue rebalancing its tariffs to match costs, which means rentals and local calls will rise faster than trunk and international call charges. Mr Perryman said that BT would not break its commitment to government to keep rental increases to less than 2 percentage points above inflation.

However, the growth in competition from Mercury and the fact that it still made a loss on rentals meant that it was likely to take full use of the permitted rise. Mr Perryman also said that BT would not react unfavourably tothe ending of its monopoly to supply domestic telephone wiring which is expected to be recomended by the Office of Telecomunications.

In spite of high charges for installing sockets in homes BT is understood to make little or no money out of the activity largely because of its labour practices.

● BT also announced yesterday that married couples which bought shares at the time of the flotation will be able to use all of their £18 telephone vouchers. Couples which each bought more than 400 shares would not have been able to use all their vouchers before the time limit expried. Sole traders will also be able to use the vouchers.

See Lex

GUS falls short of forecasts with £115m

Great Universal Stores, the mail order group, fell well short of City estimates of profits in the first half of the 1985-86 year.

Pre-tax profits of £114.9m, a rise of 12 per cent, compare with £102.7m last time, and surprised analysts who had been expecting as much as £120m. However, adverse currency effects depressed the result by £3.3m, say the directors.

The interim dividend is raised from 6.25p to 7p net per share, well covered by earnings of 28.1p (24.8p). In the last full year, GUS paid a dividend of 18p on profits of £253.5m.

External turnover, excluding VAT for the period to end September topped the £1bn mark at £1.09bn. For comparison purposes the results have not included Global Tours, the tour operating offshoot which was sold to International Leisure Group in April.

In their divisional review, the directors state that the results of the catalogue order division showed a healthy improvement over last year, particularly in the UK.

The finance, property and business information services division made satisfactory progress and is continuing to expand its range of consumer transactions and business information services both at home and overseas.

On currencies, the directors add that had the profits of the overseas subsidiaries (for the current half) been converted into sterling at the same rates as last year they would have been £3.3m more.

The tax charge for the period was an estimated £44.5m.

● comment

SEEING that GUS's first half profits had fallen well short of City forecasts, the market's immediate reaction was to slash 25p off the price of the A shares. On closer inspection, however, the results looked less disappointing, as a change in the accounting base to omit the profits of Global reduced pre-tax profits by about £2m. A further £3.3m shortfall was the fault of adverse currency movements — rather more than analysts had bargained for — while a slightly higher than expected tax charge amplified the distressing effect on earnings. GUS, as ever, is unprepared to give too much away about how its business is going, but it seems that fairly good growth from mail order has been offset by uninspiring progress on the High Street. None of the glamour of the retail sector has ever rubbed off on solid old GUS, and there was nothing in these results to suggest that the its largish discount to the sector should be narrowed. If it can make £280m this year, the A shares are on a p/e of 12, about five points below the sector average, at 830p down 15p.

Pilkington falls to £39m after £15m redundancies

Pilkington Brothers, Britain's biggest glass maker, yesterday reported sharply lower interim taxable profits of £39.4m, against £52.2m, although the result was not as bad as some City analysts had feared.

The results was struck after hefty redundancy costs £9.1m higher at £15.5m and the effect of the stronger pound costing £10m on translation of overseas earnings. Unrealised exchange losses of £78.7m, arising on translation of overseas companies net assets, were taken to reserves along with £10.6m on exchange gains on overseas long term borrowings.

Despite the downturn the interim dividend for the six months to September 28 1985 is unchanged at 5p. This is only half covered by earnings per share down from 8p to 2.5p, leaving a retained loss of £6.4m against a £5.5m profit.

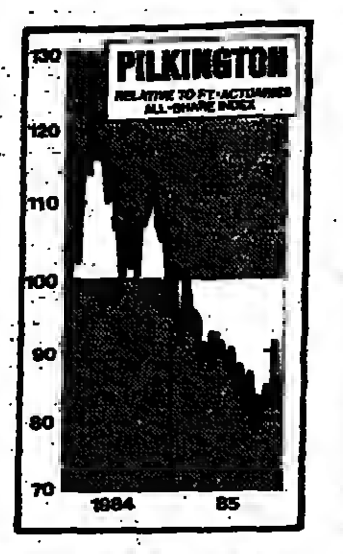
Redundancy costs for the full year are expected by Pilkington to reach £20m and to be followed by a further £10m next year. In total that would cover the loss of considerably more than 1,000 jobs, said Mr Antony Pilkington, the chairman.

He said he hoped that by then the group would be "well over the top" of its redundancies programme.

He said that over the past five years productivity at Pilkington Glass had almost doubled and was still rising.

Glass prices, he stressed, had risen more slowly than inflation over recent years, although an 8 per cent price increase for flat glass and a 10 per cent rise for fibre glass had been brought about in the autumn.

Despite sterling's strength, Pilkington was "doing extremely well by comparison with its major European competitors," and the group looked forward to an improving UK performance both in spite of and because of the redundancy charges.



He indicated that the group was looking to continue to expand its presence in opthalmics and electro-optics but would not do so at the expense of the group's core businesses.

The group was currently negotiating to buy an electro-optics business in the US. Although he declined to put a price tag on the potential acquisition he said it was of a "significant size" in relation to the group's electro-optics interests.

Overall, he said, the group's strategy was to be "a low cost, high quality, consumer related business."

Group turnover for the six months was down from £618.9m to £594.1m. This generated lower trading profits of £33.6m, against £46.4m after an additional £17.5m (£17.7m) contribution replacement at current cost and obsolescence.

The pre-tax result was struck after the redundancy costs, but included £12.9m (£15.4m) of licensing income and technical fees, associate contributions of £14.3m (£14.7m). Interest charges were considerably lower at £5.9m (£17.9m), helped by last January's rights issue.

Mr Pilkington said that all UK operations, with the exception of Pilkington Glass, improved profitability. Pilkington Glass had been affected by sterling's strength in export markets and by the continuing effect on sales in the home improvements market, triggered by the imposition of VAT on home improvements in June 1984.

Pilkington Insulation, helped by improved operating efficiencies and benefits from the Cape acquisition, improved results and were now trading profitably.

Results from the electro-optical division improved overall, with progress made by Barr & Stroud as development contracts reached production. Pilkington PE's performance fell marginally but this shortfall is expected to be more than made up in the second half.

Overseas, the chairman said that there had been some fall-off of earnings from South Africa and Argentina.

Trading conditions in Australia and Brazil, were good and were improving in West Germany, which was hit by a severe winter, and the Nordic area.

See Lex

Fullers and Eldridge show rises

HARD ON the heels of three of Britain's larger regional brewers which checked in earlier this week with good profit rises it was the turn yesterday of two of the smaller independents.

Fuller Smith & Turner, which runs the Griffin Brewery at Chiswick, pushed its turnover up by £2.14m to £19.6m at the six months' stage and saw its profits before tax rise from £1.79m to £2.29m.

During the period, to September 27, beer volumes increased and better profits were returned by the managed houses, the off-licences and through wholesaling of wines and spirts.

The second six mooths look promising and the directors hope to "report a successful year. Meanwhile, they are lifting the net interim dividend by 0.6p to 3p on the USM-quoted £1 A shares.

Arrangements are in hand to raise a further £1.25m in the form of 11¾ per cent cent debenture stock, 2017 to facilitate expansion.

Eldridge Pope & Company, based at Dorchester, experienced better-than-expected beer sales during the sumer and for the full year to September 30 achieved a £434,000 increase in pre-tax profits to £2.78m.

Turnover rose from £23.31m to £26.11m.

A final dividend of 3.5p raises the net total by 1p to 5.9p. Earning amounted to 20.9p (17.2p) per £1 share.

Northern Foods rises to £34m

ENCOURAGING progress has been made by Northern Foods in the half year ended September 30 1985, with pre-tax profits rising from £27m to £34m. The directors say this result is in line with long-term growth objectives.

They consider that the group has returned to its original growth course, and has the resources to pursue substantial expansion both organically and by acquisition.

Mr Nicholas Horsley, chairman, concedes that the 1985 result compares with the previous flat performance. Turnover showed a 21 per cent rise, from £612.7m to £742.7m.

He says the UK food companies performed very stroogly with the dairy group profits up 15 per cent to £12m, milling and baking advancing 68 per cent to £4.7m, and the meat group ahead 39 per cent at £6.4m. However, the US companies showed a decline of 5 per cent to £5.3m and have not yet shown their profit potential. The figures are shown before charging interest.

On prospects, Mr Horsley says the milk business will continue to grow, although the real benefits of acquiring the Express Northern milk business will not show until next year. Liquid milk margins proved more favourable as a result of the price increase in April, two months earlier than in the previous year.

The second half is expected to see further progress in the meat division; Bowyers (Wiltshire), the recent acquisition from Unigate, has mover ioto operating profit. The group will continue to invest heavily in this side of the business.

Mr Horsley says the US continues to under-perform. Lower interest rates will be offset by currency movements and it will be next year before real progress can be expected.

The overall cash flow remains strong. The tax charge will increase oo year from 25 per cent to 35 per cent, but thereafter this should stabilise.

After tax £11.9m (£6.8m) and minorities £600,000 (same), net profit for the half year came through at £21.5m (£19.6m) for earnings of 10.16p (9.33p) per share. The interim dividend is held at 4.25p net.

There is an extraordinary profit of £3.2m, the majority of which stems from the sale of North Country Breweries.

● comment

These figures are interim evidence of a return to growth at Northern after two years in which both equity and management illusions were vanishing into the wild Bluebird yonder. Admittedly, all is not yet well in the US with another £0.5m drop at the operating level; and with falling meat prices cutting the return at the cost-related McDonald's business, the residual difficulties in restructuring Tupelo stand out. The near 50 per cent increase in UK operating profits was excellent by any standards—and especially in that the Bowyers and Express Northern acquisitions will not be providing a post-interest return until next year. Northern should make £70m this year which, on a 35 per cent tax charge, implies e premium rating of over 13 times earnings at yesterday's share price of 280p, up 8p. The premium is surely justified even if Northern has yet convincingly to show it has the management skills for its US ambitions; as for the UK, Northern must be watching for chances to pick up any food assets thrown out by the present spate of takeovers.

Spencer Clark profit leap

TURNOVER up from £9.72m to £13.83m, coupled with tight cost control at Spencer Clark Metal Industries led to a jump in pre-tax profits from £245,000 to £920,000 in the year ended September 30 1985. The shares closed 18p higher at 138p.

Last month, Spencer Clark announced that an approach had been made which might lead to an offer being made for the company.

Stated earnings per 20p share rose sharply to 17.3p (4.6p) on a net basis, or to 18.8p (4.8p) on a nil basis. A final dividend of 2.5p net is recommended which lifts the total payout to 3p (0.5p).

Both turnover and order intake for the first two months of the current year are ahead of last year's corresponding period and the directors say overall prospects for the current year are good.

The company makes special steels and superalloys in sheets, bars and forgings.

John Brown £15m US sale

John Brown yesterday announced a reduced loss before tax for the half-year of £3.3m, compared with £4.5m last year, but warned that economic conditions would be somewhat less favourable in the main industries and territories in the second half. The loss was largely accounted for by a slump in sales in the power engineering business from £56.7m to £8.1m.

The company also announced it had sold Olofsson, its US machine tool business, to the Cordier Group for just under £15m ($21m). About £22.5m has now been received from asset sales, including Olofsson, since the start of the new financial year.

The company stressed that the benefits of the August financial reconstruction — which gave Trafalgar House 29.9 per cent and John Brown's banks 10 per cent—would not be seen until the second half of the year.

The results themselves—on a half-year turnover down from £291m to £218m—are dominated by two main features:; improving profitability in the group's main areas but a very sharp downturn in the power generation business John Brown Engineering.

The latter has experienced trading conditions markedly worse than expected. Turnover is down from £56.7m to £8.1m and a £2.5m operating profit at the last half-year has become a loss of £1.5m. The company blames lower market demand and the appreciation of sterling.

With the divestment of Olofsson and the sale of Wickman Australia, the group has now completed its withdrawal from the machine tool industry. The $21.2m from the sale of Olofsson (compared with a net asset value of $21.6m) is divided between $12m in cash and $9.2m in interest-bearing notes. The major part of the proceeds will go to repay borrowings.

The most profitable divisions are: engineering and construction £3.05m; plastics machinery £1.6m; special machinery £1.4m. Interest payments were £6.8m. The directors have decided not to pay an interim dividend.

The better performance in engineering and construction and plastics machinery has been achieved despite the strengthening of sterling impacting on the value of profits earned overseas, particularly in the United States and Mexico.

The share price was unchanged at 25p.

● comment

The downturn in John Brown's power engineering division may have been signalled but its severity had not, and many of the spirits cheered by last summer's reconstruction were somewhat dampened yesterday. The power engineering division's problem is that it is in a depressed market burdened with overcapacity. It is unlikely to find a buyer and the cost of closing it would be greater than the cost of keeping it going, so the best John Brown can do with it is to hope for a rationalisation in the industry, and in the meantime cut costs and widen its range of products in the hope of finding wider markets. This is going to take time. Meanwhile, the other divisions, most of which have shown some useful progress in the first half, face difficulties because of uncertainty over prospects for the US economy and the oil industry's concern over oil prices. This year is unlikely to see anything better than break-even and next year holds out little hope of any great leap forward either. One day John Brown may yet come right, but it is going to be a long haul.

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British TELECOM

HALF-YEAR RESULTS

EARNINGS UP, EXPANSION CONTINUES...

	Second quarter 3 months ended 30 Sept 1985 £m	1984 £m	Cumulative 6 months ended 30 Sept 1985 £m	1984 £m
Turnover	2,044	1,867	4,049	3,679
Operating profit	508	468	1,020	921
Profit before taxation	442	365	885	684
Profit attributable to ordinary shareholders	246	224	491	428
Earnings per ordinary share	4.1p	3.7p	8.2p	7.1p

An interim dividend has been declared of 3.0p per ordinary share which with the related tax credit is equivalent to 4.2p and will be paid on 25 February 1986 to shareholders registered at the close of business on 10 January 1986.

Half year ended 30 September 1985:

- Turnover up 10%
- Profit before taxation up 22%*
- Earnings per ordinary share up 12%*
- Interim dividend 3.0p per share

*After adjusting for changes in capital structure in 1984

Investing for growth

The unaudited figures above are extracts from the interim report, a copy of which may be obtained by telephoning LinkLine 0345 010707 (local call charge only within UK) or London 01-356 6863, or writing to Hugh Merrill, Investor Relations Manager, Investor Relations Office, British Telecom Centre, 81 Newgate Street, London EC1A 7AJ.
For daily information on the British Telecom share price, dial Shareline on one of the numbers given below.
Belfast (0232) 8030 Birmingham 021-246 8056 Bristol (0272) 215444 Cardiff (0222) 8037
Edinburgh 031-447 0333 Glasgow 041-248 4400 Leeds (0532) 8038 Liverpool 051-488 0797
London 01-246 8022 Manchester 061-246 8050

The Border & Southern Stockholders Trust p.l.c.

"The Trust is well positioned to give a further good account of itself in the current year"

Alan McLintock, Chairman

Change of name

At an Extraordinary General Meeting to be held on 13th December 1985 the Board will recommend to shareholders that the name of the Trust be changed to GOVETT STRATEGIC INVESTMENT TRUST PLC. The Board believes that there are positive advantages to be derived from a name which both reflects its investment policy and associates the Trust with its Management Group.

Investment Policy

The Company aims at a flexible approach to the leading world markets to achieve growth of capital and income and will switch resources as prospects change.

Highlights of the year
ended 30th September 1985

- Total resources of £226 million at record level
- Net asset value per share increased by 9.1% to 213.1p
- Resources in the U.K. increased from 45% to 60%
- Resources in Europe increased from 1% to 12%
- Dividend increase of 9% continues to outperform R.P.I.

To: John Govett & Co. Limited, Winchester House, 77 London Wall, London EC2N 1DH.
Please send me a copy of The Border & Southern Stockholders Trust Annual Report.
Name
Address

John Govett & Co. Limited
Management Group

NOTICE TO LOMBARD DEPOSITORS

	Rates for depositors entitled to receive gross interest	Rates for depositors entitled to receive net interest	Gross equivalent to a basic rate tax payer
14 Days Notice — Minimum deposit is £2,500	11½%	8·59%	12·28% pa
Cheque Savings Accounts — When the balance is £2,500 and over	11%	8·22%	11·74% pa
When the balance is £250 to £2,500	9%	6·72%	9·61% pa

Interest is credited on each published rate change, but not less than half yearly.

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Over-the-Counter Market

High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
146	120	Ass. Brit. Ind. Ord. ...	120xd	—	7.3	6.1	7.4	6.9
151	125	Ass. Brit. Ind. CULS...	125	—	10.0	8.0	—	—
77	43	Airsprung Group	67	+4	6.4	9.6	11.2	14.6
46	26	Armitage and Rhodes...	39	—	4.3	11.0	4.6	6.8
167	106	Bardon Hill	165xd	—	4.0	2.4	20.9	21.7
84	42	Bray Technologies	54	+1	3.9	7.2	6.6	7.6
201	142	CCL Ordinary	142	—	12.0	8.6	3.5	3.3
152	102	CCL 11pc Conv. Pf. ...	102	—	16.7	15.4	—	—
130	10	Carborundum Ord.	116	—	4.9	4.2	6.7	9.0
94	83	Carborundum 7.5pc Pf.	94	—	10.7	11.4	—	—
73	46	Deborah Services	58	—	7.0	12.1	6.0	7.9
32	21	Frederick Parker Group	21	—	—	—	—	—
83	33	George Blair	71	—	—	—	2.9	5.3
56	20	Ind. Precision Castings	55	+3	3.0	5.5	14.5	12.1
218	175	Isis Group	175	—	15.0	8.6	13.5	20.1
124	101	Jackson Group	110	—	6.5	5.0	7.4	7.4
285	213	James Burrough	276xd	—	15.0	5.4	8.7	8.7
95	83	James Burrough 9pc Pf	95	—	12.9	13.6	—	—
95	71	John Howard and Co.	76	—	6.0	8.8	6.0	9.4
225	100	Linguaphone Ord.	180s	—	—	—	6.8	6.9
100	90	Linguaphone 10.5pc Pf.	90s	—	15.0	16.7	—	—
650	300	Minihouse Holding NV	575	—	6.9	1.2	25.1	23.9
120	31	Robert Jenkins	70	—	—	—	9.0	20.0
80	28	Scruttons "A"	31	—	—	—	—	7.9
92	61	Torday and Carlisle ...	67	—	5.0	7.5	3.4	6.1
444	320	Trevian Holdings	325xd	—	4.3	1.3	18.5	18.2
42	17	Unilock Holdings	41	—	2.1	5.1	11.1	10.9
124	81	Walter Alexander	124	+2	8.6	6.9	7.0	6.6
247	195	W. S. Yeates	200	—	17.4	8.7	5.7	9.8

s=Suspended.

Charles Batchelor explains why the bid for Matthew Brown failed

Panel calls time for S & N

AN EXTRA mood of festivity was injected into last night's Christmas party celebrations in the City offices of Schroders, tha merchant bank advising Matthew Brown on its dafence against Scottish & Newcastle Breweries' £125m takeover bid.

Just hours before the start of the party the Schroder corporate finance team advising Matthew Brown heard that the full Takeover Panel had taken the unusual step of overruling a decision by its executive and had effectively blocked the S & N bid.

The full Panel ruled that the 90-minute period between 3.30 pm and 5 pm granted in a recent amendment to the takeover code to allow bid acceptances to be counted could be used for that purpose only and could not be exploited to persuade additional shareholders to accept a bid.

By continuing to persuade Matthew Brown shareholdars to accept its offer S & N's merchant bank, Morgan Grenfell, pushed the level of acceptances up from 47.5 per cent at 3.30 pm to 50.3 per cent—just enough to apparently clinch the takeover—by 5 pm.

The Panel's decision to take tough action delighted many people in the City who had begun to feel that the Panel bad been too oftan swayed over the past year or so by the increasingly aggressive stance taken by the merchant banks.

If the Panel had failed to act resolutaly there might have been increased pressure on the Government to include takeovers in the statutory framework to be established by the soon-to-be-published Financial Services Bill. The Panel's present beliaf is that it will not be included in that Bill

But the fact that the Panel's executive, responsible for day to day decisions initially ruled that Morgan Grenfell could make additional share purchases on behalf of S & N in tha 90 minute counting-up period

Mr John Walker-Haworth, *director general of the Takeover Panel*

suggests a flaw in the Panel's tough new image. It took the full Panel, composed of representatives of a number of City and industry organisations, to overturo the executive's ruling.

Mr John Walker-Haworth, the Panel's new director general of just five days, described yestarday's decision as proof of the effectiveness and flexibility of the Panel and the takeover code.

He acknowledged, however, that the split in the two views advanced by tha Panal resulted from whether the wording or spirit of tha code was adhered to. The decision to block the bid amounted to a victory for the view that the spirit of the code should prevail, be said.

The Scottish and Newcastle bid came to hinge on an amendment to the takeover code announced in a two-paragraph Panel statement issued in July, four months after S and N launched its initial bid.

Rule 31.6 originally required announcements on the result of a bid battle to be announced by 3.30 pm on tha final day of the offer. This however gave accepting banks just 30 minutes to count up the leval of acceptances, a difficult task in many of the larger bids.

The July amendment said the Panel bad "concluded that in soma cases there may be a need for slightly more time for receiving bankers to verify acceptances received shortly before the closing time.

"Accordingly, the latest time on the final day for an announcement that an offer has become or been declared unconditional has been extended to 5 pm."

The Panel promised that tha formal amendment to rule 31.6 and the note on that rule would be published in due course. Morgan Grenfall *said last night* that no amendment or explanatory note bad yet been published.

But yesterday, in e statement explaining its decision, the Panel said that Morgan Grenfell's whole emphasis during the nine-month bid battle bad been on a 3.30 pm closing time with repetitions of a "no extension" statement reinforcing this emphasis.

"Most important of all, shareholders in general could not be aware of the extension and Matthew Brown's advisers in particular withdrew at 3.30 pm from the market, where they bad been active as buyers. There was thus in some degree a false market for a period of time after 3.30 pm."

Tha Panel accepted that S and N and Morgan Grenfall had acted entirely properly and had consulted the executive over this point of interpretation. But it said it believed "that equity would best be served by overruling the executive's decision to allow the extension."

Mr Walker-Haworth accepted, however, that the wording of the two-paragraph amendmant produced in July was not entirely clear. "If you look at the wording it is possible to make that (Morgan Grenfell's) construction," he said.

The Panel originally indicated to Morgan Grenfell a month ago that its interpretation was right and confirmed that view in a ruling issued at midday on Wednesday, just before S & N's bid closed.

It kept its options open, however, to allow a full Panel review, when the expected protest from Schroders came, by refusing to allow Morgan Grenfell to declare its bid fully unconditional.

After bearing 1½ bours of argument from the two sides the *Takeover Panel, headed by its* chairman, Sir Jasper Hollom, a Bank of England nominee, took 45 minutes to rule in favour of Matthew Brown and Schroders.

"It's a great victory," said Mr Nicholas Jones, head of the Schroders team, last night. "It's a reasonabla advertisement for onr flexibility that a mattar like this can be clarified in 24 bours," said the Panel's Mr Walker-Haworth.

Morgan Grenfell was not so sure. "We've no complaints," said Mr Richard Webb, leader of the bank's team. "But it says something is pretty funny if so many people can be wrong."

Evered's expansion plans

By David Goodhart

Evered Holdings, the fast-growing engineering group witb a 20.1 per cent stake in TI Group, is to announce a number of minor acquisitions, probably before the end of the year.

Mr Raschid Abdullah, chairman of Evered, said yesterday that the company was in the final stages of negotiations to acquire companies which will expand the Surrey-based group by about 20 per cent.

He said: "The existence of our TI stake does not mean that we cannot grow in other directions." However, the news of other interests being pursued is bound to increase speculation that a full bid for TI has been shelved, at least for the immediate future.

The impending acquisitions—which are likely to be financed by vendor placings—are expected to involve divisions within major companies.

After the lean in TI's share price in July, when Evered first started building its stake, the price has slipped back as a bid has begun to look less likely. Short time working at Raleigh, the bicycle company (part of TI), has also helped the downward drift.

Even if Evered was still to make a bid, it is now certain to wait et least until after the announcement of TI's results in March.

TI's share price was up 2p to 378p yesterday, and Evered also rose by 2p to 194p.

Neill claims victory in Spear & Jackson battle

BY MARTIN DICKSON

James Neill Holdings, the band tool manufacturer, last night claimed victory in its £15 takeover battle for Spear & Jackson, the garden and band tool producer.

The company said it bed received acceptances for ordinary and preference shares representing more than 50 per cent of Spear's votes and tha offer had been declared unconditional.

Details of the precise level of acceptances was not immediately available.

Mr Peter Bullock, managing director of Neill, said the combined forces of the two companies would create "a British tool group that can compete with the world."

He said it was good to see that institutional Investors had accepted Neill's argument that there rould be a good future for British companies in this area by combining forces.

Spear had criticised Neill's plans, arguing that it was better for it to remain independent and rely on foreign imports for an increasing proportion of its hand tool sales.

During the course of the bid Spear also annouoced plans to buy the garden band tools division of Falcon Industries for £5m — a move roundly condemned by Neill.

Neill was offering five of its shares for every three in Spear. There is a 250p e share cash alternative, which will remain open until December 14.

Acquisitions lift Greycoat

THE ACQUISITIONS earlier this year of Churchbury Estataa and Law Land enabled the Greycoat Group to lift its net rental income from £1.45m to £3.91m and its profits before tax by £474,000 to £2.17m at the six months' stage.

Gross rental income for the period to September 30 1985 surged to £4.36m to (£1.63m) but property outgoings rose to £451,000 (£184,000) and administratioo and finance costs to £1.02m (£520,000) and £1.89m (£264,000) respectively.

Profits from property sales fell to £462,000 (£670,000) but management fees and other Income improved to £441,000 (£247,000). The associates contributed £254,000 (£11b,000).

Tex accouoted for £240,000 (£21b,000) and left net profits at £1.93m, against £1.48m.

The interim dividend is stepped up from b.75p to 0.95p. Earoings per 10p share amounted to 3.5p (4.6p).

Interim dividend payments will absorb £529,000 (£240,000) and leave the retained halance £155,000 higher at £1.4m.

Churchbury Estates and Law Land were acquired in January and Greycoat Group's results for the opening six months included for the first time a full contributioo from both companies.

Greyroat's principal business is property investment and development in the UK and the US.

Stirling to acquire M and S supplier

Stirling Group, which makes casual wear for Marks and Spencer, is to acquire, subject to shareholders' approval, the entire issued share capital of B. Forster and Company, which makes ladies' dresses, ladies' and children's dressing gowns, lingerie and swimwear. Foster is also an M & S supplier.

An initial consideration of £3.5m is to be paid with a deferred roosideration of up to £700,000 to be satisfied by the issua of ordinary and preference shares. Some 2.25m shares have been placed conditionally with institutiooal clients of Hoare Govett.

Forster recently reported annual profits of £791,000, on turnover of £9.7m. Net taogible assets were £1.8m.

C and W share allocation favours the small investor

THE BASIS of allocation for shares in the Cable and Wireless offer for sale, which closed on Wednesday more than twice subscribed, bas been weighted to favour the small private investor. All those who applied for 200 or fewer shares will be allocated in full, while all other applicants will receive a minimum of 30 per cent of the number applied for.

The offer for sale, the largest ever attempted after British Telecom, attracted 219,000 applications from the general public for a total of 101.4m shares. In accordance with the clawback provision in the prospectus, 48.8m shares bave been recalled from the underwriters to meet the demand.

Three quarters of the shares available to the general public have been allocated to investors who put in for less than 1,000 shares.

Existing shareholders took up about 80 per cent of their rights entitlement, applying for a total of 34.6m shares. Applications from employees and pensioners for 1.1m shares will be met in full.

The basis of allocation of shares to the public is as follows: 200 and below in full; 250 to 350 get 200; 400 to 550 get 220; 600 get 240; 650 get 260; 700 gat 280; 750 to 1,000 get 300; and above 1,000 receive 30 per cent of the number of shares applied for. Letters will be posted on Wednesday.

● The offer for sale of shares in Chetwynd Streets, the advertising and public relations group closed yesterday oversubscribed.

RICHARDS, Aberdeen-based splnner of high technology yarns, has improved pre-tax profits by £5,000 to £512,000 for the year ended September 30 1985. Sales were up at £13.78m (£12.6m). Dividends for the year total 1.6p (1.45p) with a higher final of 1.1p (0.95p). Net profits emerge at £400,000 (£338,000) for stated earnings per 10p share of 3.31p (2.79p).

HASLEMERE ESTATES, property investor, raised turnover to £14.88m (£12.56m) and pretax profits to £2.97m (£2.6m) in the six months to September 30 1985. Earnings per share amounted to 6.96p (5.44p) and the netinterim dividend goes up to 2.53p (2.3p). Net rental incoma from investment properties totalled £8.88m (£8.03m). and net rental income from trading properties £214,000 (£676,000).

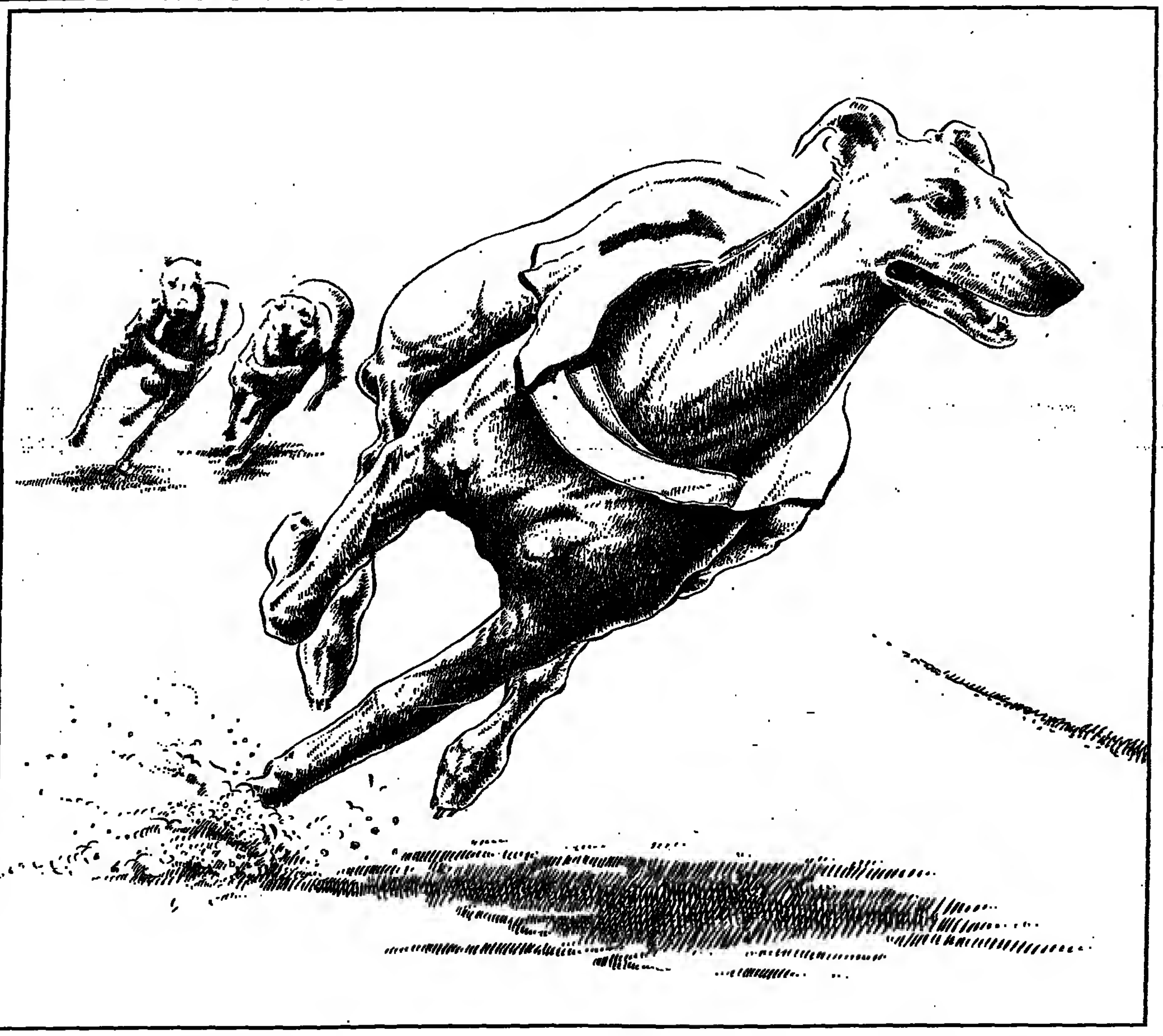
DIVIDENDS ANNOUNCED

		Current payment	Date of paymant	Corresponding div.	Total for year	Total last year
Adam Leisure		Nil	—	Nil	Nil	1
Baker Perkins	int.	3†	Feb 1b	2.6	—	6.75
BET	int.	4	April 5	2.75	—	14
Brasway†	int.	1	Feb 18	0.75	—	2
Brengreen	int.	b.75	Feb 7	b.70	—	1.4
Bristol Post	int.	9	Jan 31	7.5	—	21.5
British Telecom	int.	3	Feb 25	—	—	3.9
Carr's Milling		4.25†	—	3.75	6	5.5
Crystalate		2.7	—	2.38	4.24	3.85
Eldridge Pope		3.5	—	2.8	5.9	4.9
English China		7†	April 7	6	11	9.6
Fuller Smith	int.	3‡	Jan 16	2.4	—	6.5
Greycoat	int.	0.95†	Jan 31	0.75	—	1.75
GUS	int.	7	March 27	6.25	—	18
Haslemere Estates	int.	2.53	Feb 7	2.3	—	9.6
Harold Ingram	int.	1.25	Jan 31	1	—	2.5
Inn Leisure‡		0.42	Feb 4	0.42	0.42	0.42
Northern Foods	int.	4.25	Feb 21	4.25	—	7.25
Pilkington	int.	5†	Feb 14	5	—	12.5
Reed Executive	int.	1.5	Fab 3	1	—	3
RHP		2.6	Feb 14	1.75	4.25	3
Richards		1.1	—	0.95	1.6	1.45
Alexander Russell	int.	b.47	—	b.39	—	1.33
Sidlaw		6.25	—	5.83¶	9	5.83¶
Spencer Clark		2.5	—	0.5	3	0.5
UKO Intl	int.	1.5	Feb 12	1.5	—	5
Viewplan	int.	b.42‡	Feb 15	—	—	—
Whessoe		3	Jan 28	3	5.5	5.5
Williamson Tea		20	—	20	20	20

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Adjusted for scrip and sub-division.

SGB shareholders see page 5



IT TAKES A WINNER TO SPOT A WINNER

ANOTHER RECORD HALF-YEAR

RESULTS 6 MONTHS TO 30TH SEPTEMBER

£000's	1985	1984	INCREASE
Profit before taxation	£12,140	£9,483	28%
Profit after taxation	£7,386	£5,178	43%
Dividend per share	3.5p	2.5p	40%
Realised capital profit after taxation	£20,809	£719	

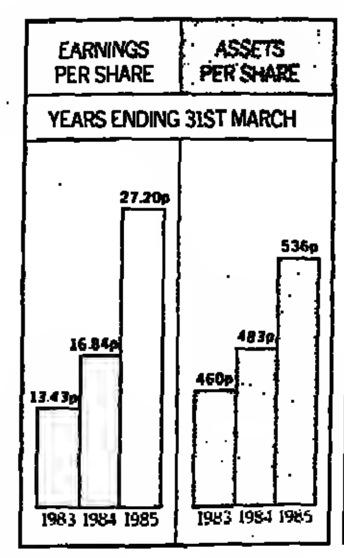
White City was a greyhound stadium going to the dogs. We snapped it up in 1968, paid for it in 1984, and sold it this year to the BBC for a capital profit after tax of over £20 million.

Our patience has proved profitable and our timing instinctively right.

Even without the White City success, we can declare our best ever half-year results.

Results achieved by a new generation in property leadership.

Stock Conversion PLC



A NEW GENERATION IN PROPERTY LEADERSHIP

BET advances 32% to £49m

BET, the diversified services group, lifted pre-tax profits by 32 per cent from a restated £38.92m to £48.72m in the six mooths to September 30 1985. Unfavourable exchange rates had an adverse effect of some £3m on the result.

The outcome was not far short of market estimates of £50m, and BET shares closed unchanged et 365p.

The increase arose mainly from a strong recovery in the contribution from the electronics and leisure side (profits up from £2m to £6.3m) and from the ecquisition of Inihal and Anglian Windows.

The company said the main disappointment was e halt in the strong growth in publishing profits, which dropped 20 per cent to £4.3m.

Turnover, excluding associates, rose by 38 per cent to £640.59m. Earniogs per 25p deferred ordinary share were stated ahead at 12.6p (10.9p), while the net interim dividend is increased from 2.75p to 4p to reduce disparity. Last year e total of 14p was paid on reported taxable profits of £103.5m (£92.8m restated).

Mr Nicholas Wills, the chief executive, said yesterday that the half year had seen another very satisfactory improvement in profits and the resolution of most of the group's remaining restructuring moves.

Since April 1983, BET had issued 103m new shares for acquisitions and this had held back any real growth in earnings per share. However, the group had said that its restructuring programme was designed to achieve such growth and Mr Wills was pleased that it had now started to show through.

"As regards our strategic moves, the integration of Initial and Advance is already showing benefits and I am confident that the combined company will be able to show decisive leadership io a market which badly needs it," Mr Wills said.

BET's £120m contested bid for SGB, the scaffolding group, has been extended until December 20, after BET received acceptances covering 15.1 per ceot of the shares by last week's first closing date. BET currently speaks for 24.2 per cent of SGB's equity.

An increased offer of £7.4m for G. W. Sparrow & Sons, the crane hire company, has this week won the backing of the board and its close family shareholders. These shares, together with previous acceptances would give BET 38.1 per cent of the company.

BET has restated its 1984-85 results to provide a true comparison with the current year, since some subsidiaries last year changed their financial year-ends from Decemher 31 to BET's year-end of March 31.

On turnover np 95 per cent, the industrial services division lifted profits hy 97 per cent to £18.2m (£9.2m) mainly as a result of the additional 19 per cent of Advance and 58 per cent of Initial acquired since last year.

Transport profits increased 10 per cent to £13.6m (£12.4m). The United Transport International contribution was cut by £2.75m through exchange rates, but other than in South Africa, UTI's operations are all performing well in local currency terms.

Profits from the construction side rose by 49 per cent to £13.6m (£9.1m), of which £4.1m came from Anglian Windows, acquired last October. This compensated for a 18 per cent drop to £5.2m at Boulton & Paul.

● **comment**

After three years of frenetic huying aod selling, the new-look BET is beginning to take shape. Since April 1983, the company has issued over 100m new shares for acquisitions and the resulting leck of growth in earnings has been the market's major complaint. Now, at last, earnings per share are starting to improve. Whether the company itself is up to the challenge of running a whole new set of husinesses has yet to he proved, but the interim results are, on the whole, promising. Profits from cahinet towels, workwear and waste disposal doubled, mainly due to the acquisition of the rest of Initial and Advance. The ecquisition of Anglian Windows gave a welcome hoost to the construction division and transport managed to hold its own in sterling terms despite the weakness of the rand. The main disapointment was publishing, where profits fell 20 per cent, through circumstances not entirely beyond BET's control: the launch of a magazine aimed at Mid-Western farmers could have been better timed. Nonetheless, BET looks set to make around £125m this year, which puts the shares, up 3p at 365p yesterday, oo a multiple for this year of 11½—not demanding for a company whose profits are growing much faster than the market everage.

Bristol Post up to £1.9m

Bristol Eveuing Post, newspaper proprietor, raised pre-tax profits by 38 per cent from £1.38m to £1.91m for the half year to September 30 1985, on external sales 9 per cent higher et £21.65m.

Mr Andrew Breach, the chairman, warns, however, that this rate of improvement shows signs of slowing down and holders should not necessarily assume a similar increase in the second six months.

Stated first-half eernings per 25p share increased from 13p to 18.3p and the interim dividend is stepped op to 9p (7.5p) net—last year's total was 21.5p on £2.93m profits.

Newspaper publishing profits rose from £685,000 to £976,000. The company's daily newspapers hased at Bristol cootinued tbeir improved trading, but its weekly papers are feeling the effects of competition from other free newspapers—steps are being taken to meet this.

Property rental income increased by £200,000 to £508,000 and arose from the retail development of New Broadmead in Bristol, which produced no revenue in the six months to September 30 1984. Only one unit in this development remains unlet.

Alexander Russell set for record

Despite a £607,000 turnround in exchange movements, the Alexander Russell group has raised its pre-tax profit from £607,000 to £1m in the half year ended September 30 1985. The period has been one of recovery and consolidation after the miners' strike.

In the current half year the UK coal division has been strengthened, the US coal losses arrested, and charges are lower because of a substantial reduction in borrowings.

Along with continued steady demand for the buildings product side, the directors are confident that the winter results will be the best ever and the year will be a record.

Turnover in the first half expanded from £11.18m to £15.25m and the trading profit from £373,000 to £1.38m, which, the directors say, shows the group is getting back to its expected level of performance. Because of increased strength of the pound against the dollar there was an exchange loss this time of £373,000 (profit £234,000).

After tax £450,000 (£173,000) and minority losses £37,000 (profit £16,000), the attributable profit is £596,000 (£418,000) for earnings of 2.7p (1.9p) per share. The interim dividend is 0.47p net (0.39p).

Russell has installed the first of the coal recovery plants which replaced the two closed through exhaustion of reserves. The second will be ready for operation in the spring. In the US coal joint ventures, the company has completed the planned plant opgrading; although similar losses to last year were incurred in the six months, the company is confident that the problems have been solved.

Ansbacher to write off £9.3m of goodwill

Henry Ansbacher Holdings, a merchant banking group, is to write-off £9.3m of goodwill, most of it arising from the recent consilidation of the group.

This is to be done by transferring £26.6m from its £47.2m share premium account to a new capital reserve account, against which £6.6m of the write-off will be made. The remainder will be written-off to the existing unrealised reserve.

This procedure is necessary because the gronp wishes to write the goodwill off immediately rather than amortise through the profit and loss account. But it has insufficient reserves for the entire write off, and may not write goodwill off directly against the share premium account. So the new capital reserve account has been creoted.

The transactions will not affect the disclosed net tangihle assets of the group, which amount to £30.7m. Ansbacher's shares gained 4p to close at 69p last night on the announcement.

Williamson Tea

Williamson Tea Holdings improved its pre-tax profits from £12.81m to £19.04m in the year to June 30 1985 from turnover up from £41.49m to £51.58m. The dividend is unchanged et 20p net. and stated earnings per £1 share improved from 105.91p to 273.54p.

After tax of £9.6m (£8.86m) and all other charges, net profits were £4.78m against £2.77m. Mioorities took £3.18m (£1.52m), leaving attributable profits of £1.6m compared with £1.25m.

a holding company owning shares in tea producing companies in India, and Tanzania.

Bearings growth lifts RHP by 77%

Substantial growth in the bearing manufacturing side of the business has enabled the RHP Group to lift its pre-tax profit by 77.5 per cent in the 53 weeks ended October 4 1985, from £6.23m to £11.07m.

Shareholders receive an increase in their dividend from 3p to 4.25p net, the final being 2.6p.

Results in respect of four months from June 1 1985 of Muirhead are included, and these show a loss of £173,000. There is considerable reorganisation and regeneration needed to achieve the level of results which RHP considers acceptable.

The directors say that the group is in its strongest-ever financial position, and is ready to face the future with confidence.

The original group achieved its best-ever pre-tax profit and, excluding the Muirhead acquisition, enjoyed a record cash inflow which totally eliminated net borrowings.

Muirhead was unprofitable at the time of acquisition and had suffered a substantial cash outflow; and this was not apparent to RHP then. Action taken since, however, has led to a return to profitability and the arrest of the cash outflow.

Group turnover in the 53 weeks advanced from £105.71m to £128.29m.

● **comment**

RHP caught the market on the hop yesterday with a 78 per cent jump in pre-tax profits, a good £½m above the more optimistic expectations. The strength of the bearing business, where RHP now concentrates on the higher margin end of the market supch as aerospace, more than doubled profits despite the adverse impact of exchange rates while electrical also produced a respectable increase regardless of carrying the losses from newly acquired Muirhead. Undoubtedly deeper problems than RHP envisaged have been revealed and it will take a couple of years before the new management gets it right. But with the core business churning out cash like a printing press Muirhead will not impose strain on the rest of the group. Indeed RHP is confident enough to be thinking of further purchases in the UK. Assuming some turnround at Muirhead the groupu looks capable of at least £13m pre-tax this year. The ambitious acquisition of Muirhead so early in RHP's recovery may have unsettled some investors but the price is too low at 116½p, up 10p, on a historic p/e of 6.8.

Printing machinery boosts Baker Perkins by 50%

Baker Perkins, with profits for the half ended September 30 1985 showing a 50 per cent advance, from £4.89m to £7.34m.

The second half will bear rationalisation costs of at least £1.5m, hot the directors are expecting the year's profit to show e "useful increase" over the £13.05m of 1984-85.

Below the line there should be an extraordinary profit of the same magnitude as the rationalisation costs. This will arise from the agreed sale of the trade investment in Werner & Pfleiderer of Stuttgart.

On capital increased by the June 1-for-5 rights issue the directors are raising the interim dividend from 2.8p to 3p net per share. They point out, however, that this is to reduce the disparity with the final—4.15p last time.

In the half year turnover rose from £106.89m to £126.32m and the gross profit came to £35.5m, against £28.89m. Mr John Peake, chairman, says the printing machine husiness was the principal contrihutor, although bakery machinery businesses in France and the UK also achieved useful improvements.

The food and chemical machinery manufacturing companies in the US reported lower sales and a loss was incurred in North America.

A split of the sales and £8.3m (£5.9m) operating profit hy company location shows: UK £77.8m (£53.93m) and £8.25m (£4.2m); Western Europe £23.67m (£14.77m) and £1.91m (£192,000); North America £19.41m (£30m) and loss £1.94m (profit £1.28m); rest of world £7.45m (£8.2m) and £86,000 (£261,000).

Mr John Peake, chairman of Baker Perkins

The chairman says orders received were similar in value to sales and the value of orders on hand continues at a high level. Rationalisation costs mainly affect packaging machinery.

Pre-tax profit was struck after related losses £80,000 (£185,000) and net interest payable £873,000 (£857,000). After tax £1.69m (£1.34m) the net attributable profit came to £5.65m (£3.55m), equal to 15.4p (10.5p) per share.

The reduction in tax rate—from 27 per cent to 23 per cent—stemmed from the increased proportion of profit earned in the UK, coupled with the greater utilisation of ACT previously written off.

● **comment**

Baker Perkins produced some impressive profits from its UK and European operations but the overall picture is still marred by the poor results coming out of North America. In the UK £2½m of the £4m jump in operating profits can be attributed to the printing machinery subsidiary where margins have improved on the back of a 10 to 15 per cent sales increase. In Western Europe, the French company making baking machinery was top performer with the help of an exceptional Algerian contract. But in the US the chemical and food machinery divisions were losing money. In essence both businesses are being run down to the point where lower sales can produce a profit. Nothing dramatic can be expected but if the shrinkage goes as planned the US could make money for the full year. The costs of slimming the UK packaging activities at Rose Foregrove will clip £1½m off second half profit but even so the full year could easily clear £16m pre-tax dropping the p/e at 223p to no more than 8.

Stoddard order book up as recovery continues

IMPROVED SALES performance at Stoddard Holdings in the six months to September 30 1985 helped it return to profit at the pre-tax level. It made £24,000 compared with a loss of £297,000 in the comparable period of last year and a £559,000 loss for the year.

Mr Gordon Hay, chairman, says group sales in the period rose from £15.14m to £17.39m, thanks largely to the principal subsidiary, Stoddard Carpets, following investment in promotional material, product design and quality. Profit margins also improved.

Trading profit rose from £26,000 to £403,000. Of the other subsidiaries, Lyle Carpets recovered much of the ground lost last year and Douglas Reyhurn & Company increased its volume of external sales.

At Kingsmead Carpets, however, the introdnction of new ranges was delayed due to raw material problems. Sales are expected to recover in the second half.

Exports also improved, says Mr Hay, despite the strength of sterling.

He adds that the sales improvement was achieved with a £3m reduction in stocks compared with last September and borrowings, including term loans, have been cut by £1.2m. During the period £750,000 of group overdraft was converted into a medium term loan.

Some problems were experienced in meeting delivery dates. However, Mr Hay says the factories have steadily reduced the overdue order position and production continues at a high level. The second half began with an order book substantially up on 1984, be adds, and all factories operating at higher levels of efficiency.

The full year's result will depend on continuing demand after Christmas, he warns.

As previously, no interim dividend is being paid. Loss per ordinary share has been reduced from 4.9p to 2p.

Sidlaw's profit static at £6.3m

Sidlaw Group has reported a fairly static taxahle profit of £6.28m, against £6.38m, on turnover nearly £10m higher at £58.35m for the year to September 27 1985.

Oil services profits were unchanged at £5.2m, and textiles contributed less at £1.47m (£1.58m). Reduced losses of £31,000, against £322,000, from Microsystems were offset hy the expected £443,000 turnround to losses of £145,000 at the Hong Kong associate, Drexel Oilfield Services.

Sidlaw, chaired by Mr R. C. Smith, says that expectations of a profitahle Drexel year to March 1986 is no longer sustainable, but an improved result over 1985 is anticipated.

The final dividend is up from an adjusted 5.83p to 6.25p, making a total of 9p compared with 8.33p.

Tax was slightly higher £2.96m, against £2.82m, hut there was an extraordinary debit of £639,000.

Sidlaw also announced the purchase of S. B. Offshore Peterhead base, which has an oil service base in Peterhead. Consideration is £2.4m cash.

S B lost £816,344 in the 1984-85 year. Net tangible assets at September 30 were £4m. But payment on a dividend and the assumption of liabilities will reduce this to a negative £720,000 hy the completion date.

BOARD MEETINGS

TODAY

Interims: A. Cohen, Continoous Stationery, DBE Technology, Gibbs Mew, Greene King, Hampton Trust, Philip Harris, Unigroup, J. W. Wassall, Jones Woodhead.

Finals: Canvermoor, Chemring, Hardys and Hansons, Piccadilly Radio.

FUTURE DATES

Interims—

Danae Investment Trust	Dec 17
Phoenix Timber	Dec 19
Rotaprint	Dec 20
Wallman	Dec 19

Finals—

Clifer	Dec 17
Conrad	Dec 18
Williams (John) of Cardiff	Dec 20

This announcement appears as a matter of record only

AUSTRALIAN WHEAT BOARD

We are pleased to announce that we are acting as the dealer in the offering for the

US$1000 Million
Commercial Paper Programme

Goldman Sachs Money Markets Inc.
New York, Boston, Chicago, Dallas, Los Angeles, Memphis, Philadelphia, St. Louis, San Francisco.

This announcement appears as a matter of record only. September 1985.

US$650,000,000 Bankers' Acceptance Facility

Provided by
Bank of America NT&SA, Irving Trust Company, Bankers Trust Company, Mellon Bank, Chemical Bank, Security Pacific National Bank, The First National Bank of Chicago, The Sumitomo Bank, Limited

Managed by Bank America Capital Markets Group

US$500,000,000 Euro-Note Purchase Facility

Arranged by
Credit Suisse First Boston Limited

Underwriting Banks
Algemene Bank Nederland N.V. Banque Indosuez CIBC Limited Commerzbank Aktiengesellschaft Crédit Lyonnais Credit Suisse
Dai-Ichi Kangyo International Limited Deutsche Bank Aktiengesellschaft Fuji International Finance Limited
Lloyds Bank International Limited LTCB International Limited Orion Royal Bank Limited Sanwa International Limited
Saudi International Bank Al-Bank Al-Saudi Al-Alami Limited Sumitomo Finance International The Taiyo Kobe Bank (Luxembourg) S.A.
Westdeutsche Landesbank Girozentrale
Citicorp Capital Markets Group Crédit Commercial de France Swiss Bank Corporation International Limited
Banque Bruxelles Lambert S.A. Banque Nationale de Paris Banque Paribas County Bank Limited Hambros Bank Limited
Kredietbank International Group Samuel Montagu & Co. Limited Morgan Grenfell & Co. Limited Rabobank Nederland

Tender Panel Members
Algemene Bank Nederland N.V. Banque Bruxelles Lambert S.A. Banque Indosuez Banque Nationale de Paris Banque Paribas Capital Markets
CIBC Limited Citicorp Capital Markets Group Commerzbank Aktiengesellschaft County Bank Limited Crédit Commercial de France
Crédit Lyonnais Credit Suisse Dai-Ichi Kangyo International Limited Deutsche Bank Aktiengesellschaft Fuji International Finance Limited
Hambros Bank Limited Kredietbank International Group Lloyds Bank International Limited LTCB International Limited
Merrill Lynch Capital Markets Samuel Montagu & Co. Limited Morgan Grenfell & Co. Limited Orion Royal Bank Limited
Salomon Brothers International Limited Sanwa International Limited Saudi International Bank Al-Bank Al-Saudi Al-Alami Limited
Sumitomo Finance International Swiss Bank Corporation International Limited The Taiyo Kobe Bank (Luxembourg) S.A.
Westdeutsche Landesbank Girozentrale

Tender Panel and Facility Agent
Credit Suisse First Boston Limited

This announcement appears as a matter of record only. September 1985.

US$300,000,000
Euro-Commercial Paper Programme

Dealers
Credit Suisse First Boston Limited
Merrill Lynch Capital Markets
Salomon Brothers International Limited
Swiss Bank Corporation International Limited

Arranger and Programme Agent: Credit Suisse First Boston Limited
Grid Note Agent: First Chicago

This announcement appears as a matter of record only.

US$250,000,000
Direct Note Issuance Programme

Sole Dealer
Citicorp Investment Bank Limited
September 13, 1985

CITICORP INVESTMENT BANK

This announcement appears as a matter of record only. September 1985

£210,000,000
Acceptance Credit Facility

Managed by
Samuel Montagu & Co. Limited

Provided by
Samuel Montagu & Co. Limited, Bank of Montreal, Grindlays Bank plc, Lazard Brothers & Co., Limited, Kleinwort, Benson Limited, Banque Belge Limited/Generale Bank, National Westminster Bank Group, Midland Bank plc, Swiss Bank Corporation, S.G. Warburg & Co. Ltd., Algemene Bank Nederland N.V., Commerzbank Aktiengesellschaft London Branch, Morgan Grenfell & Co. Limited, Westdeutsche Landesbank Girozentrale

Agent Bank
Samuel Montagu & Co. Limited

September 1985

DM 300,000,000
Loan Facility

Arranged by
Commerzbank Aktiengesellschaft, Commerzbank (South East Asia) Ltd.

Provided by
Commerzbank (South East Asia) Ltd.
Bayerische Landesbank Girozentrale Singapore Branch, BHF-Bank International, DG Bank Deutsche Genossenschaftsbank, Dresdner (South East Asia) Limited, Helaba Luxembourg Hessische Landesbank International S.A., Westdeutsche Landesbank Girozentrale

Agent
Commerzbank (South East Asia) Ltd.

This notice complies with the requirements of the Council of The Stock Exchange of the United Kingdom and the Republic of Ireland and does not constitute an offer of, or an invitation to subscribe for or purchase, any securities.

FEC
Finnish Export Credit Ltd
(Incorporated with limited liability in Finland)

Japanese Yen 20,000,000,000
8¼ per cent. Dual Currency Bonds due 1995

Issue Price 101¼ per cent.

The following have agreed to subscribe or procure subscribers for the Bonds:-

Nomura International Limited

Chuo Trust Asia Limited — Dai-Ichi Kangyo International Limited
Kleinwort, Benson Limited — Yasuda Trust Europe Limited
Bank of Tokyo International Limited — Credit Suisse First Boston Limited
DG BANK Deutsche Genossenschaftsbank — Goldman Sachs International Corp.
Kansallis Banking Group — LTCB International Limited
Mitsubishi Trust & Banking Corporation (Europe) S.A. — Mitsui Trust Bank (Europe) S.A.
Morgan Guaranty Ltd — Morgan Stanley International
Postipankki — Sumitomo Trust International Limited
Toyo Trust International Limited — Union Bank of Finland Ltd.

Westdeutsche Landesbank Girozentrale

Application has been made to the Council of The Stock Exchange for the Bonds to be admitted to the Official List. Interest on the Bonds is payable annually in arrear on 20th December, the first such payment being due on 20th December, 1986.

Listing particulars relating to Finnish Export Credit Ltd and the Bonds are available in the Extel Statistical Service and copies may be obtained during usual business hours up to and including 17th December, 1985 from the Company Announcements Office of The Stock Exchange and up to and including 27th December, 1985 from:-

Nomura International Limited, Nomura House, 24 Monument Street, London EC3R 8AJ
Cazenove & Co., 12 Tokenhouse Yard, London EC2R 7AN
Citibank N.A., 336 Strand, London WC2R 1HB

13th December, 1985

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English China up 16% to nearly £75m

English China Clays, the quarrying and rlay group, has inrreased full year profits by jusi over 16 per cenl with improvements spread arross the board and despile a sharp rise io expenses and interesl charges.

The result, up from £64.24m to £74.65m pre-tax, has been accompanied by an increased final dividond of 7p making a higher lotal of 11p, againsl 9.6p, on lhe enlarged rights issue capital.

In absolute terms the largest Increase was notched up by the rlay, and transport and services division which coolribuled £52.58m compared with £46.27m to operating profits.

Quarries rose hy £3.36m to £21.64m, intrrnational drilling fluids increased from £3.9m to £6.26, ronstruction improved from £3.78m to £5.57m and leisure activilies rontributed £3.76m against £2.7m.

These advances comforiably oulweighed a near 42 per cent jump in group oxpenses and intorest rharges from £10.7m to £15.17m. Turnover for the year to end-September 1985 rose from £604.16m to £713.89m.

Tax was slightly higher at £27.95m (£27.28m) and attributable profits this time benefilod from the absence of extraordinary debits. which ramo to £12.98m last time. Earnings per share were 25.97o (22.13p adjusted).

Sir Alan Dalton, chairman of English China Clays

● **comment**

Those who declined to take up thoir rights this summer may be regrelting it hy now. After a larklustre first half, English China Clays has produced a thoroughly respectable set of full year figures. The paper industry, lo which ECC sells about 80 per cent of its clay produrts, was strong throughout, while quarrying and construrtion rerovered from the weother wrecked first half. While worse times may be ahead for the paper industry, ECC is better equipped than before to cope with a downturn as It bas become more productive, moro geared to the technical end of the market and more diversified. This year the benefits of tho Bradleys acquisitioo will start to show as tho rompany responds to the sweeping cost cutting measures imposed by its new parent, and the proreeds of the rights issue will make larger inroads into the interest charge. With gearing down to 6 per rent from 23 per cent, ECC is poised to make some acquisitions, probably to indusirial minerals, and probably in the US. On profits of £87.5m this year the shares at 289p are on a p/e of 10. The recent spate of bid rumours appears singularly ill-founded.

Inn Leisure profits approach £1m mark

Inn Leisure Group, the USM quoted pub and wine bar operator, has increased full year profits by 68 per cent from £954,000 to £1.61m pre-tax.

The result was achieved with operating margins improving from just over 15 per cent to just under 21 per cent on turnover ahead from £7.34m to £9.54m.

Earnings per share more than doubled from 2.05p to 4.39p but the dividend has been held at 0.42p.

During the year to end-September 1985, trading units were opened. A further three have been purchased since the year end making a total of 40.

Capital expenditure on acquisition and development of branches totalled £3.5m and expansion has continued into the current year.

Agreement has been reached to sell the group's development at Crown Passage, Worcester

Whessoe caution as profits pass £5m

INCREASED contributions from its high pressure pipework division, Aitoo, and from lighl engineering, enabled Whessoe to improve its pre-tax pofits from £4.14m in £5.03m in the year to September 28 1985, bul second half figures wore down marginally from £3.02m lo £3m.

The high pressure pipework sub-group, free of the 1984 losses in Canada, reporied profits np from £979,000 lo £2.8m. Light engineering produced profits 80 per cent higher at £523,000 against £283,000. In heavy engineering, however, there was a downturn from £2.88m lo £1.62m.

Taking the group as a whole, the directors say that is 1986 it is unlikely that loading will be as high as in 1985, and this will have its efferl on throughput and profit.

It is therefore unlikely that il will equal the pre-tax profit for the past yoar, but the board does not expert the shortfall lo be large.

The final dividend is unchanged at 3p nel for a same-again total of 5.5p. Stated earnings per share were marginally lower at 12.7p compared with 12.8p.

Gronp turnover for the year was a shade under £100m at £99.98m compared with £99.68m.

Operating profits were substantially higher at £4.66m (£2.97m). The pre-tax figure Included share of profits of a relaled company, intalling £489,000 against £659,000, but was after interest cbarges of £124,000 (505,000 receivable). Tax rose from £1.83m to £2.74m.

Lord Erroll of Hale, the chairman, says a transfer of £1m has been made from the profit and loss account to other reserves to provide for exchange fluctuations. Ho also points oul that the profit was struck after providing for £225,000 to he paid lo the trustees of the Whessoe Share Incentive Scheme.

He says lhal generally lhe pottern of group activity reported at the interim stage prevalled for the rest of the year. Despite the difficulties in the heavy eogineering division, further new investment in plant and other productivily improvement measures continued.

The Victoria Dam project in Sri Lanka was surcessfully rompleted and equally promising progress has beeo made on similar work for the Mrica hydro-electric scheme in Indonesia.

The offshore division had a buay and successful yrar, but Wbessoe Ireland suffered heavy losses.

Restructured Crystalate set for growth

DESPITE MARKETS for many of its produrts being depressed, with a ronsequent pressure on margins roupled with destocking and rescheduling by major customers, Crystalate Holdings managed a small improvement in profits at the operating level in 1984-85.

With the group now seeing signs of a modest improvement in domand and in the light of future ronfidence, the dividend for the year is slepped up from 3.85p to 4.24p net, the final being 2.7p.

Turnover for the year to September 30 1985 rose from £50.96m to £63m but operating profits edged ahead by only £119,000 to £4.79m — margins were down from 9.17 per rent to 7.6 per cent. Tho group manufactures and distributes electrir produrts.

Pre-tax profits showed a downturn of £854,000 to £4.8m, but at this level in tho previons year the results took in £2m from the now-disposed Royal Worcester and its subsidiary Royal Worcester Industrial Ceramics.

The figures of these rompanies were not consolidated in operating profits in 1984 as they were in the course of disposal at that year-end.

Tho directors say tho technical and market requirements for the group's products have been subjeci to major shifts during the last few years.

In the year under review signifirant alterations to Crystalale's structure were made and to meet this situation a provision of £2.7m was made below the line as an extraordinary item.

The directors say it will take several months for tho full benefits of the rationalisation programme to be reflected in tho results but they are ronfident that Chrystalale's position has beeo strengthened and that the underlying demand for its products gives a sound platform for further growth in sales and profits.

During the year, there was a swing from interest paid of £1.12m to a rredit of £5,000, but investment income fell from £108,000 to £10,000.

Tax accounted for £912,000 (£1.72m) and minorities for £94,000 (£40,000).

Basir earnings rame through at 16.53p, against a previous 18.22p. Fully diluted they amounted to 13.91p (14.76p).

Profit rise to £1.3m for Reed Executive

Reed Executive, the employment and travrl agency and self-service drug store operator, has lifted its first half profit by 44.4 prr rent, from £903,000 to £1.3m. And shareholders receive a 50 per cent rise to 1.5p net in their interim dividend.

The group's levels of business continue satisfartory and the directors can see no reason for that tu change in the near future.

Turnover in lhe period ended September 28 1985 advanced from £23.53m to £33.6m and the operating profit from £968,000 to £1.37m. This was made up of employment aod travel agents £1.22m (£892,000) and drug stores £153,000 (£76,000).

After tax £601,000 (£270,000) the net profit came out at £703,000 (£633,000) for rarnings of 6.7p (6p) per share.

For the year ended March 30 1985 the group pre-tax profit was £2.22m and the total dividend 3p.

Brengreen disappointed with 22% profits rise

A 22 PER CENT rise in pre-tax profits at Brengreen (Holdings) in the half-year to October 12, 1985 is described as "less than satisfactory" by the cleaning group which was seeking a substantial profit upturn. The profits rise from £825,000 to £1.01m was achieved on lurnover up from £23.71m to £29.34m.

The interim dividend is lifted from 0.7p to 0.75p on earnings per share down to 1.14p (1.36p).

Mr David Evans, chairman, says that the group has not maintained its domination of the market for government contracts, but it is restructuring its sales and works departments to aid growth in newer areas — such as at Gatwick Airport where it won a contract in July.

The street rleaning contrart at Ealing, west London, incurred heavy losses in the period, Mr Evans says. But these should now be offset by improvements in contract efficienry, increased trade waste collection and the renegotiated contract with Southend Counril.

Mr Evans says that White Cross Equipment, has doubled its profit since joining the group. The Four Seasons Roofing Group, acquired in March, is also settling well into Breogreen, Mr Evans says and he expects its profit this year to be well in excess of the level stated when it was acquired.

However, the chairman says that the development of Exclusive Health Care Services was disastrously affected by the Farnborough Hospital contract which is being re-tendered in April.

The group has been forced in sell its shareholding in the Saudi National Cleaning and Maintenance Company, Mr Evans says, after a rbange of law in the kingdom requiring all government and various other contracts to be awarded only to wholly Saudi-owned companies. The shareholding was sold at a modest profit to the group's Saudi partner.

Progress is being made elsewhere in the Gulf with the award of a contract at Das Island and a successful start to the Dubai hospital contract.

Mr Evans says some problems may continue over the next few months. However, he is optimistic about future prospects as the group operates in industries which have significant growth potential.

Carr's Milling shows growth all round

All its mainstream activities in the flour milling, baking and agricultural fields have made a good contribution to the 50 per cent increase in pre-tax profits of Carr's Milling Industries in the year to end-August 1985.

On external sales ahead from £51.12m to £57.22m, the group has for the first time topped the £1m mark, with pre-tax profits of £1.28m against £854,000. Following its usual pattern, second half profits were lower, at £471,000 (£411,000) than the first half.

The final dividend is stepped up hy 0.5p to 4.25p, bringing the total for tho year to 6p (5.5p). Stated earnings per share are 18.3p against an adjusted 16p for the December 1984 rights issue.

The results show that the benefits of tho group's continuing programmo of heavy capital investmont are beginning to come through, the directors state, and currently, with trading in the first quarter being satisfactory, prospects for 1986 are enrouraging, they add.

Tax rose to £224,000 (£30,000), and minorities were again £400

Losses nearly double at Adam Leisure

Adam Leisure Group, the troubled electronic toys company, has suffered nearly doubled losses of £877,000 against £443,000, on turnover almost 38 per cent lower at £9.27m, in the year to August 31 1985.

Mr C. A. Rycroft, the chairman who hopes to report more positively at the end of the current year, says that lossea have necessitated increased borrowings which have impacted pre-tax results.

Second half trading losses, he says, were cut from £648,000 to £127,000 but full year net interest rharges more than doubled from £169,000 to £369,000.

Adam Leisure's shares, one of the USM's poorest performers, closed 1p higher yesterday at 8p, considerably adrift of tho 105p high reached in 1983.

As forewarned at the interim stage, there is no dividend for the year to end-August 1985, which compares with a solitary 1p interim paymenl in 1983-84.

Mr Rycroft says that while tho company is going into 1986 with £1m-worth of excess stocks, levels are now at half last year's and the trend is satisfactory.

Harold Ingram on target

Harold Ingram, knitwear designer and manufacturer, lived up to its expectations for the first half with a 55 per cent increase in pre-tax profits from £137,000 to £213,000. Sales, including inter-company, in the six months to October 31 1985 rose from £2.96m to £4.06m.

An interim dividend of 1.25p (1p) is being paid on earnings per share up from 2.3p to 3.5p. As last year, the board intends to pay the major part of the total dividend at the year end.

The group experts the full-year accounts to show an improvement over last year.

Talks are taking plare aimed at broadening its customer base through additional retail outlets. Alterations at one of its knitting units and to increase capacity at its dyeworks by 20 per cent will cost £200,000, the group says.

Celestion to top £0.85m

Celestion Industries, maker and distributor of sound reproduction equipment and rlothing, has annouoced pre-tax losses of £140,000 for tho half year to October 4 1985, against losses of £11,000 last time.

For the year to March 1985, however, profits of £852,000 were achieved, and the directors say that the group is still on target to exceed this figure in the current year.

Although turnover moved ahead from £15.65m to £18.84m, operating profits were slightly down at £243,000 (£268,000) from which interest charges took a higher £458,000 (£359,000).

After a tax charge of £23,000 (credit £24,000), net losses for the six months emerged as £163,000 (profits £13,000) for stated losses per 20p share of 0.7p (earnings 0.1p).

The Royal Bank of Scotland Group plc

This has been a momentous year for tha Group. Our two principal banking subsidiaries hava been successfully marged. We now have a streamlined bank, headquartered in Edinburgh, and we have once again achieved record profits. In addition, two major developments have greatly enhanced the spread of financial services we are able to offer the public. First, the acquisition of The Charterhouse Group plc adds a new dimension to our expertise in serving corporate customers at home and abroad. Secondly, we have successfully launched the first venture by a leading bank into tha underwriting and direct selling of motor insurance. This last novel and highly automated operation is still in its aarly stages, but initial indications, and customer reaction, are encouraging and augur well for the future.

GROUP OPERATIONS The profit before taxation for the year ended 30th September 1985 was £166.3 million, an increase of £35.0 million or 27 per cent. over the previous year. Although the clearing bank arm of tha Group has been the principal contributor to our profits, it is pleasing to report a creditable profit performance from The Charterhouse Group since acquisition. Costs this year included more than £11 million in respect of non-recurring items associated with the merger.

During the year the clearing bank experienced satisfactory increases in sterling deposits and advances and current accounts again rose reflecting the continuing success of our free banking policy. Foreign currency business and earnings from commissions and fees also continued to grow. Most of the increasa in net interest incoma was attributabla to growth in business.

Our domestic banking policy will continue to be tha maintenance of our strong base of banking activities throughout the British Isles from Lerwick in the Shetlands to St. Heliar in the Channel Islands and to increase our share of this market. Despite fierce competition we have achieved very satisfactory incraases both in numbers of customers and in the use customers make of our services. Internationally, the stronger organisation created by integration of resources will enable us to take up any opportunities that arise for growth by acquisition.

ECONOMIC DEVELOPMENTS The UK has been affected by the erratic behaviour of the dollar and problems of international indebtedness, although promising signs are now emerging following tha Group of Five initiative in September. Hopes of a sustained downward movemant in interest rates received a setback early in 1985. A surge in the dollar, combined with widespread markat confusion about the objectives of monetary policy, necessitated a sharp increase in interest rates. Since then, thare has been a gradual reduction, but rates still stand some 2 points abova the level of a year ago. As a result, sterling has strengthened appreciably since the 1984 year and, contributing to the welcome prospect that the rate of inflation will be falling for some time ahead.

"IN 1985 WE HAVE MERGED OUR BANKS, ACQUIRED A MERCHANT BANK, LAUNCHED AN INSURANCE COMPANY, AND STILL PRODUCED RECORD PROFITS"

Sir Michael Herries, ***Chairman.***

Key figures	Year ended 30 Sept. 1985	Year ended 30 Sept. 1984	Change
Profit before taxation	£166.3m	£131.3m	+27%
Total assets	£15,031m	£13,386m	+12%
Dividends per 25p ordinary share	9.6p	8.1p*	+19%

*Adjusted for the effects of the rights issue in February 1985.

At the same tima, economic activity has been improving at a brisk pace. The recovery in coal production has been an important factor, but so too have been strong export demand, the boom in investment and rising consumer spending.

The medium-term outlook for UK economic activity, howevar, seems less promising. It is widaly predicted that the slowdown in growth in the United States will persist, and this much more modest rate of expansion will have repercussions for most other economies, initially resulting in less buoyant export trade. In the particular case of the UK, the recovery in sterling is also likely to contribute to a less favourable export picture. This is especially so given the disturbingly strong rise in unit labour costs. The warnings of the Confederation of British Industry and others about the erosion of our competitiveness bear constant repetition. In addition to tha expected slowdown in exports, investment spending is unlikely to sustain its recent exceptional expansion, so that growth in 1986 will probably be on a more modest scale than in 1985. There is likely to be little cheer in the unemployment figures for the foraseeable future.

LOOKING AHEAD Looking ahead, the only prudent course is to assume that the volatility wa have experienced in recent years will continue, in both international and domestic markets. It would be prudent also to assume that there will ba no lessening in competition. Everything indicates that this will continue and, indeed, intensify.

These developments make it necessary for us to ensure that our afficiency and our service to customers are maintained at a high level. They also make it necessary to raview carefully our longer-term strategies. This we have been doing, and the new ventures we have entered into in the past year are all part of this.

The unification of our clearing bank business, together with tha recent acquisitions, will enable us to respond with speed and flexibility to the changes that are coming.

Copies of the 1985 Annual Report and Accounts may be obtained from the Secretary.
The Royal Bank of Scotland Group plc 36 St. Andrew Square Edinburgh EH2 2YB.

TECHNOLOGY

EDITED BY ALAN CANE

Industrial resolution from the campus

Universities are seeking closer ties with industry in an attempt to recoup lost grants. Peter Marsh reports

A TECHNIQUE under study at BP to clean up North Sea oil, chemical sensors Thorn EMI is about to sell and a safety mechanism for JCB excavators—all have arisen from joint work between industry and Britain's 45 universities, which are now closer than ever.

Reeling from government cuts in 1981, the universities have sought closer ties with companies, mainly as a way to make up lost funds with industrial contracts.

Companies, too, have begun to appreciate the value of links with universities' science and technology departments, either to help with an immediate problem or as part of long-term research.

However, these developments have heightened the long-running argument about whether such excursions into the commercial world—while profitable in the short or even medium term—may damage the universities' long term capacity for pure research from which technological advances flow.

For in spite of the money that is coming in, it has not matched that which has been lost in grants, especially as further cuts are to come.

Such companies as British Aerospace, GEC, IBM, and ICI have sought to improve university links, for instance by sponsoring research in specific departments or financing professorships.

Cartermill, a subsidiary of Longman, the book publishers, will start a service next month to help small and medium-sized organisations to contact academics doing relevant work. Companies will be able to dial a computer in St Andrews, Fife, that contains the commercial records of several thousand researchers working in British universities.

Universities have shown considerable imagination in promoting the services they can offer industry. Surrey University has established a club of companies which for £5,000 a year gains access to research results and gets special help in solving technical problems.

Eight concerns have joined—Johnson Matthey, Air Products, BOC, Shell Research, Norcross, GKN, Grand Metropolitan and Kuwait Oil.

Grand Metropolitan has gone a stage further and has set up on the Surrey campus a £1m "incubation unit," which will attempt to nurture small companies in technologies such as biosciences in the hope of gaining advance information about research trends.

Individual university departments run similar schemes, normally to gain contracts from companies involved in a particular area, such as offshore engineering.

The 100-strong optics group at Imperial College, London, has organised a series of industrial associates where companies pay £5,000 a year to preserve the group's reputation for scientific excellence.

Professor Chris Dainty was surprised at how easy it was to gain sponsorship. A dozen companies have joined, including British Telecom, Rank Xerox, IBM, PA Technology, Ferranti, Pilkington and Rank Taylor Hobson.

Other examples of collaboration take a variety of forms. The illustrations at the beginning of this article all stemmed from different mechanisms. BP is working on plastic membranes to clean oil that are based on fundamental work on biological tissues which it sponsors at Imperial College. The oil company's venture-research unit pays for this activity as part of a £1.5m-a-year programme of funding in universities.

Thorn EMI developed its new sensors (for jobs such as measuring blood nutrients) as a result of collaboration with individual chemists at Newcastle University, while a system to stop JCB excavators from overturning was devised by Loughborough Projects, a company set up by Loughborough University.

In 1982-83, the last year for which figures from the publicly-funded University Grants Committee are available, the universities earned £32m from industry out of total research and development contracts worth £306m. That is now estimated to have grown to £45m this year.

Other activities for which non-government sources paid, such as charity-funded research projects and short courses and seminars for industry, add probably another £50m-£60m.

In several cases, universities have formed companies, run at arm's length from the rest of their activities, to sell contract research or specific products based on university research.

Salford University has a 60-strong research company with annual sales of £4m, while Newcastle University provides support to a £2m-turnover electronics company called MARI (in which CAP, the computer group, has a stake). Aberdeen University owns several commercial organisations with interests from oil prospecting to microbes.

The combined turnover of such holding companies is estimated to be growing at some 40 per cent a year and is probably worth about £30m. This adds up to about £130m of income generated by commercial activities.

The sum, though perhaps 10-15 per cent more than the figure five years ago, is small compared with the £2bn or so (£1.3bn of this from public funds) it cost this year to run the universities.

For the education establishments, the extra income represents a useful addition to government cash, although it does not begin to compensate for the public spending cuts since 1981.

Furthermore, the industry income has to be earned. It consumes staff and resources that could be applied to other forms of work such as long-term fundamental research.

Profits from universities commercial activities—which can be ploughed back to help pay for the long-term work which is their main preoccupation—amount to probably no more than 10 per cent of the total sum that industry spends in universities.

Dr John Burnett, principal of Edinburgh University who earlier this year chaired a study group that examined alternative funding sources, said the universities had lost 15 per cent of their total income since 1979 due to cut grants and reductions in fees from overseas students caused by decreased government support.

Dr Burnett says further cuts to come will put still more pressure on the universities. The University Grants Committee says the cash it hands out will be reduced by 2 per cent a year until 1990.

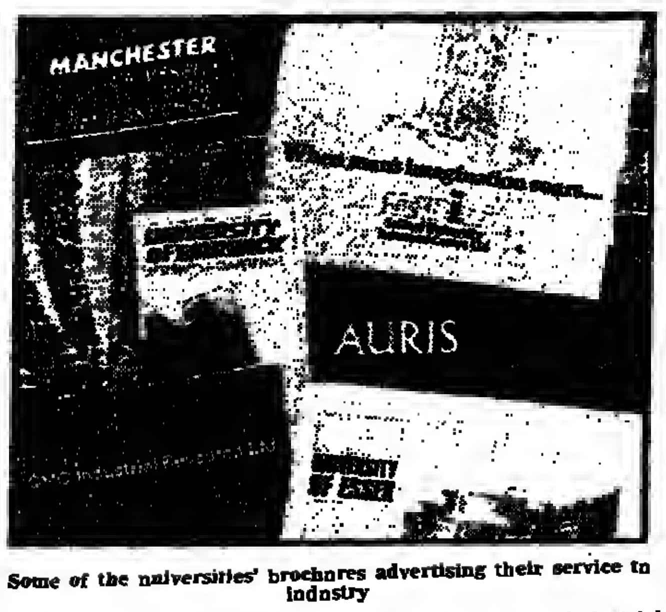
From October, universities will be subject to much stricter accountability where the grants committee will earmark specific sums to individual departments instead of leaving the universities themselves to decide how their money is spent.

Most of the universities' extra activity in winning funds from industry has gone into promoting their research better. They have hired industrial-liaison officers and printed glossy brochures about what they are doing.

Mr Jim Reed, director of the industrial bureau at Surrey University, says increasing revenue is important but not the only motivation for industrial activities. Academic morale can be improved when, with an idea lying dormant in a university department, staff are called upon to solve a commercial problem.

Professor Derek Smith, past chairman of the University Directors of Industrial Liaison who is chairman of Fire and Materials, a spin-off from Queen Mary College, London stresses that to succeed in business a university must have more than the general desire to increase revenue or to raise kudos by becoming associated with industry.

"The ingredients of success vary from university to university. But the most important is a real commitment by the vice chancellor or principal to see that the skills of the university are used in helping economic recovery."



Some of the universities' brochures advertising their service to industry

UK information technology lags

EVIDENCE CONTINUES to accumulate that overseas companies based in Britain are more willing to make use of information technology than their British counterparts.

A telephone survey of 100 companies chosen at random from The Times "Top 1,000" found that half of those controlled from overseas used electronic mail but only a fifth of the others. Half of the companies in the "Top 1,000" had not considered using electronic mail at all.

Electronic mail, or E-mail, involves transmitting messages from one personal computer or workstation to another, often via a "mailbox," an electronic pigeonhole in the memory of a computer where the messages are stored until the intended recipient asks for them.

It is usually the second element of the "electronic office" which forward-looking companies instal after word processing equipment.

According to the new survey, carried out by the marketing consultant James R. Adams & Associates, most systems have been in use for less than two years.

There were some surprising results. Telecom Gold, the US-developed E-mail system marketed in this country by British Telecom, is the most popular proprietary system with a quarter of those users surveyed subscribing, but one-third of use on in-house computers.

The consultancy says: "The problem with many published comments on electronic mail is that they treat the subject as a collection of publicly available services.

"Most serious users, as our survey shows, have developed their own systems which they use on in-house computers."

"Coupled with this misconception is the widely-held view that electronic mail is only about mailbox services. This ignores the whole area of point-to-point messages in which one user sends a message directly to the terminal of another. It is probable that, in terms of traffic, this will always be the biggest method, as it will be used for most major company internal messages."

The survey indicates that E-mail is used chiefly for memos, followed by letters and documents. Its main advantage to companies is speed; the chief problem is training people to use it.

The consultants were fascinated to see that some companies were using E-mail for invoicing: "This should improve cash flow if only by removing from the bought ledger department the excuse that the invoice must have gone astray in the post."

Adams and Associates warns that The Times 1,000 does not list financial institutions, nationalised industries or State-owned corporations. It will give more details of the survey on 01-836 5012.

ALAN CANE

Fault reporter helps garages clean up

COMPANIES THAT supply and have to maintain high value, complex equipment might be interested in a development from Automatic Remote Management Systems of London which automatically signals faults to a central point over a telephone line.

Several hundred have been sold to lift companies Schindler and Thyssen while London Transport has a pilot system for detecting faults in escalators, fans, lifts and pumps. In addition, seven London boroughs have shown an interest, mainly for detecting lift faults.

Each outstation can accept information from up to 24 sensors and send it over an auto-dialled telephone line to a Northstar Dimension computer, allowing service staff to be despatched faster and better briefed than before.

The system is flexible enough to allow other data, for example on energy consumption, to be sent as well as fault data.

An early installation was for Wilcomatic, which supplies and maintains more than 4,000 car and commercial vehicle washes in the UK.

Each car wash has a fault analysis box which can detect such problems as lack of air pressure, failed power supply or a jammed brush mechanism. As soon as any fault occurs, the computer is dialled, repeatedly if necessary, until a connection is made.

The receiving station has a small integral printer to record the calls and the information then passes to the computer which prints out a job card and details of the fault, name of the garage, its address and phone number, and the time. Immediately, a serviceman covering that area can be allocated.

Mr Cliff Swabey, general manager of Wilcomatic, said: "Armed with this information we can see if the fault is a major one requiring an engineer or a simple one that can be rectified by someone at the garage.

"Quite often it is something simple like a circuit breaker that needs to be reset. One quick phone call and the machine is working again."

Mr Swabey's problems must have counterparts throughout industry. Often, all the company that supplied the equipment will get will be a phone call to say that the machine is not working. There is usually no diagnostic information so that the service staff have to go in cold.

Mr Swabey contends that nowadays, car washes can make the difference between profit and loss in some garages. A wash charging £3 to £4 a time can produce £30,000 to £40,000 of revenue a year—there is one garage in London taking £3,000 a week he says. "So you can see how important it is to respond quickly and get faulty equipment working again."

GEOFFREY CHARLISH

Ford manage quality with Husky

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HUSKY

MANUFACTURERS OF THE WORLD'S MOST POWERFUL HAND-HELD COMPUTERS

Radio links for alarm system

BECTRONICS, a new, small company in Bledington, Oxford, has developed security alarm systems where all the communications links are radio based.

The system allows infra-red sensors, pressure pads, door and window contacts and push-button panic alarms to operate without expensive cabling. Instead, they activate a master control unit on the premises via short range radio signals.

By eliminating cabling, installation can cost as little as a quarter of a wired system. There is no cable to be tampered with and false alarms are said to be fewer. Attempted radio jamming produces immediate alarm activation.

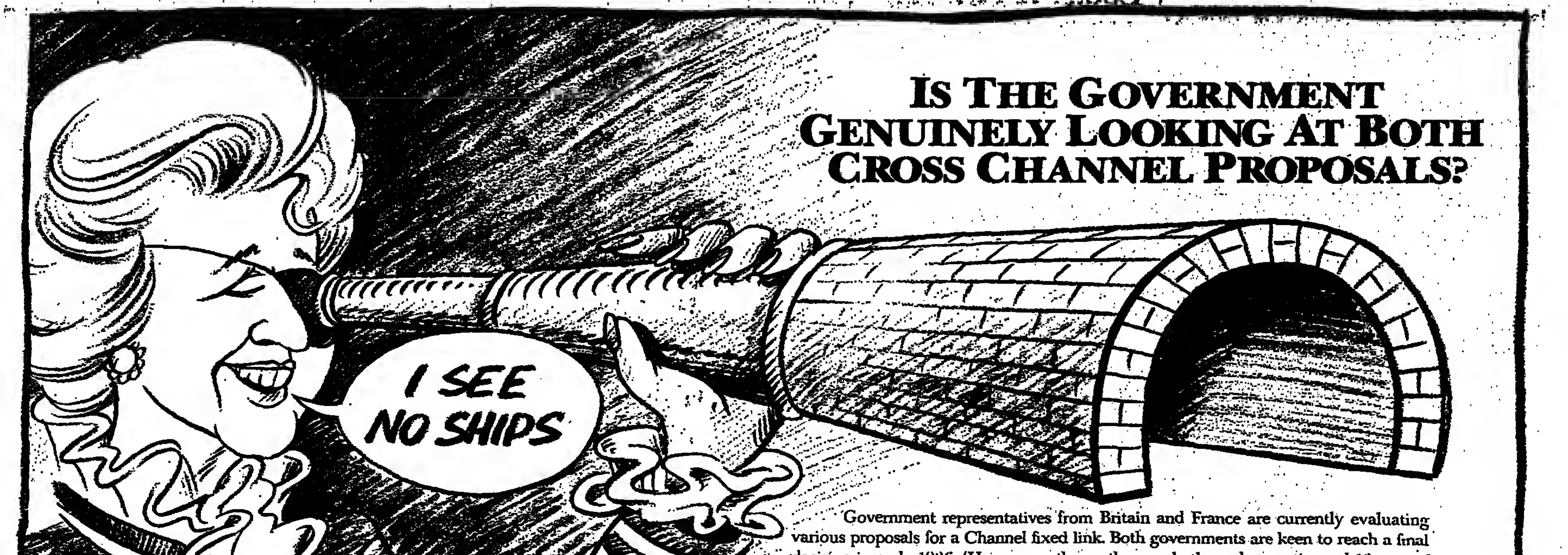
When activated, the master unit operates a plain language tape recording and broadcasts over a higher power transmitter to the security services responsible for the premises. This link is much faster than using autodialling systems over public telephone lines and subsequent "processing" by the security company's telephone.

Called Guard-a-Larm, the system can also provide positional information. As each sensor is activated by a roaming intruder the broadcast message gives the location. Smoke can be similarly pinpointed.

Energy controller

OPERATORS of factory boilers could be helped to save energy with an electronic control system from Trend, a company in Horsham, Sussex. The hardware adjusts boilers' heating to take account of variations in load.

British Manufacture and Research of Grantham has recently automated the control of four high-pressure water boilers with the help of one such £55,000 system.



Government representatives from Britain and France are currently evaluating various proposals for a Channel fixed link. Both governments are keen to reach a final decision in early 1986. (How on earth can they wade through an estimated 10 tons of documentation so quickly?)

This determination to force the issue suggests that both governments have already made up their minds – there will be a Channel fixed link, come hell or high water.

Quite clearly, both governments are suffering from tunnel vision. They are closing their eyes to the fact that the ferries already provide a flexible and efficient service. A service that offers a wide choice of points of arrival and departure.

And with the advent of 'Super Ferries,' this cross-Channel proposal will offer cheaper fares than any fixed link can promise. A fixed link needs to create a monopoly to be financially viable. This would sink all the Continental ferry routes, not just Dover–Calais and open the floodgates to higher fixed link fares.

No matter what the British government might say, one thing is crystal clear. It is only looking at half of the story. And by doing so, it is turning a blind eye to the case for Britain's cross-Channel ferries.

THE CHANNEL TUNNEL
The black hole that will put Britain in the red.

Flexilink

FT COMMERCIAL LAW REPORTS

Discriminatory rate targets are lawful

NOTTINGHAMSHIRE COUNTY COUNCIL v SECRETARY OF STATE OF THE ENVIRONMENT
CITY OF BRADFORD METROPOLITAN COUNCIL v SECRETARY OF STATE FOR THE ENVIRONMENT
House of Lords (Lord Scarman, Lord Roskill, Lord Bridge of Harwich, Lord Templeman and Lord Griffiths): December 12 1985

GOVERNMENT limitations on local authority spending, formulated by reference to each antharity's previans spending record, are not unlawufl on the ground of discrimination in that although the same principles mnat be applied to all anthorities, their application may reflect differing circumstances.

The House of Lords so beld wheo allowing appeals by the Secretary of State for the Environment from *Court of Appeal* decisions that expenditure guidance given by him to local authorities did not comply with the statutory requirement that it should be "*framed* by reference to principles applicable to all local authorities." A submission that even if the guidaoce did comply with statutory requirements, it was a perversely unreasonable exercise of power, was rejected.

Section 59 of the Local Government, Planoing and Land Act 1980, as amended by the Local Government Finance Act 1982, gives the Secretary of State for the Environment power, in a Rate Support Grant report, to set out a formula including a *multiple* for calculating the amount of block grant payable to a local authority.

Subsection (5) provides: "... *the power (a)* may only be exercised — (i) in accordance with principles to be applied to all local authorities ... and (b) ... for any purpose as is specified in ... *(6) below.*"

Subsection (6): "The purposes ... are ... (cc) to achieve any reduction in the level of local autbority spending ...

Subsection (11 A): "Any guidance issued of the purpose of subsectioo (6) (cc) above sball be framed by reference to priniciples applicable to all local authorities."

LORD BRIDGE said that oo December 20 1984 the Secretary of State made the Rate Support Grant report for the financial year 1985-86. It was laid before the House of Commons and approved.

It included guidance which set expenditure targets for all local authorities for the coming year. They migbt exceed the targets only at the risk of suffering a reduction in the amount they would receive by *way of grant* from central government funds.

Three local authorities thought their expenditure targets had been set at unfairly low levels and applied for judicial review.

The two grounds of attack were (1) that the guidance had not been "framed by reference *to principles applicable* to *all* local authorities" within section 59 (11A) of the Local Government Planning and Laod Act 1980; and (2) that the Secrelary of State bad exercised his power unreasonably in accordance with "Wednesbury" principles (see *Associated Picture Houses [1984] 1 KB 223).*

The applications were dismissed by Mr Justice Keonedy. The Court of Appeal allowed appeals on the first ground. The Shecretary of State now appealed.

It had been government policy since 1979 to restrain the level of public expenditure, including expenditure by local authorities.

Before 1980 the Governmeot, save in relation to specific services, could influence local authority spending only by varying the amount of rate support grant available. The old statutory system contained no effective mechanism for discrimination between high-spending and low-spending authorities.

The 1980 Act was designed to provide just such a mechanism and the Local Government Finance Act 1982 introdnced an additional discriminating element, which Parliament must have thought necessary to make the mechanism more effective.

The aggregate amount available for distribution as block grant was a fixed sum determined by the Secretary of State, so that adjustmeots of grant to any one authority must affect the others.

One key concept in the distribution system was "grant-related expenditure" (GRE), which was the aggregate notional expenditure for the year. "Notional" expenditure was an estimate of expenditure each authority would need to incur if all provided the same ataodard of service with the same degree of efficiency at a level consisteot with government spending plans.

The second was "graot-related poundage" (GRP). The basic yardstick was GRP at GRE. That was the rate poundage which a local authority would need to levy, baving regard to the aggregate rateabla value of properties ln the area, to finance expenditure at GRE.

The actual GRP of each individual authority was then determined by a complicated formula which depended on the authority's total expenditure. The formula was all-importaot in its effect on distribution of block grant.

The Act of 1982 added the important new power of abatement of block grants to high spending authorities. It em*powered the Secretary of State* to set expenditure targets for local authorities and to adjust tha amounts of their block grants in the light of their performance.

The effect of the guidance was that local authorities were given targets for 1985-86 expenditure based *on 1984-85 targets* or 1984-85 GRE, subject to maximum limits on the perceotage by which application of a formula might locrease or redoce the *1985-86* targets above or below their 1984-85 budgeted expediture.

It was common ground that the exigencies of the timetable baving regard to consultation requirements and the need to give local authorities time to prepare budgets, constrained the Secretary of State to look at 1984-85 budgets as the latest indication of spending levels.

Also, it was common ground that in practice levels of expenditure varied widely *in relation* to GRE, some authorities spending well above it, others well below.

The consequence was that any part play*ed* by *GRE* must be subordinate to historical levels of actual expenditure by different authorities. To require a large and sudden downturo in expend*iture* would *be impracticable.*

The submission which found favour in the Court of Appeal was that the guidance which distinguished between local authorities which budgeted in 1984-85 to spend below and those which speot above GRE, setting their 1985-86 targets at a percentage increase above different baselines, was not "framed by reference to principles applicable to all local authorities."

The authorities submitted that section 59(11A), on its trua construction, required that every principle by which the guidance was framed must be capable of being applied equally to all local authorities.

The Secretary of State submitted that one set of principles must be applied to all local authorities, but where authorities were affected by different circumstances applicatioo of tha principles might reflect those differeoces.

The Court of Appeal cooduded that there was oo power to take accouot of, or at least to discriminate by reference to, local authorities' past expenditure records at the staga of giving statutory guidance.

If that approach were correct, it would involve two startling consequences. The first was that it would only permit guidance to be issued requiring overall restriction on expenditure across the board by a given percentage.

It must be obvious that the scope for reduction varied greatly betwceo different local authorities. Also, it must be remembered that the 1980 Act *was designed* to replace a *system* under which central government's only effective influence over local government expenditure was by reducing or limiting the aggregated rate support grant across the board.

The second startling consequeoce was that it would be illegitimate lo mitigate the severity of discrimination by applying certain constraints imposed by the guidance, which were only capable of applying to local authorities whose target expenditure rose or fall below specified limits.

If the statutory language led inascspably to those consequences, they must be accepled.

But it would be wroog to construe "prioclples applicable to all local authorities" without regard to the apparent scheme of the legislation or to the use elsewhere in the Act of the same or similar phrase.

The phrase "principles to be *applied to all local authorities*" waa fouod in sections 56 (11) aod 59 (5)(a) of the 1980 Act, and section 8 (6) of the 1982 Act. In each instance it was clear from the context that the principlas would not necessarily be equally capable of applications to all local authorities.

It was conteoded, however, that "prioclples applicable to ... cooveyed a crucially different meaning from "principles to be applied ..."

The former, said the local *authorities, required* that *every* principle should be capabla of uolversal application; the latter only that the same principles should be applied to local authorities whose relevant circumstances were the same.

His Lordship would be extremely reluctant to accept that the drafisman of the legislation by so small a difference of lsnguage intended to achieve so fondameotal a difference in effect.

Examination of section 59 (11A) in its wider context and by a comparison with the same or similar language used elsewhere led to the conclusion that the subsectioo was capable of bearing either of the meanings urged by the parties.

A purposive approach and the avoidance of consequences im*plicit in the local* aothorities' construction poioted in favour of the Secretary of State's construction.

The appeals should be dismissed.

Their Lordships agreed.

For the Secretary of State: Robert Alexander QC, Presiley Baxendale ond Potrick Walker (Treasury Solicitor).

For Nottinghamshire County Council: Konrad Schiemann QC and Nicholas Huskinson (Warren Murton).

For Bradford Metropolitan Council: Alan Fletcher QC (Sherwood and Company).

By Rachel Davies
Borrister

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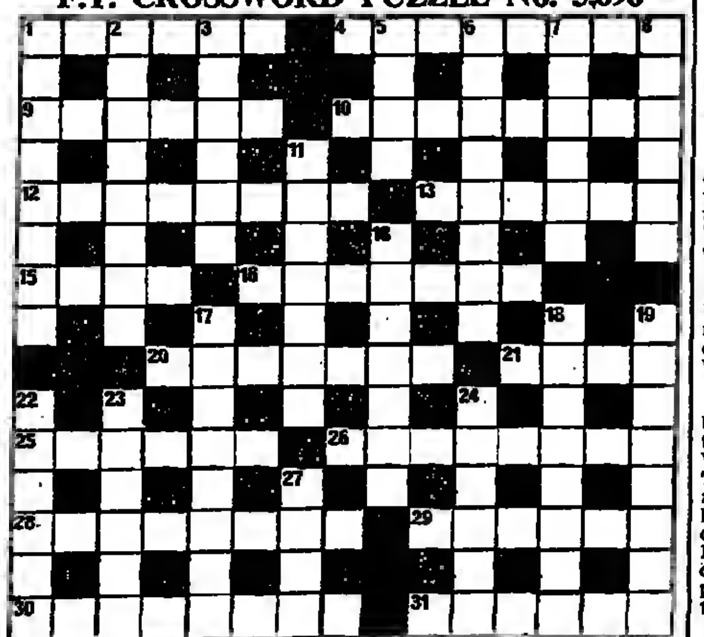
F.T. CROSSWORD PUZZLE No. 5,898



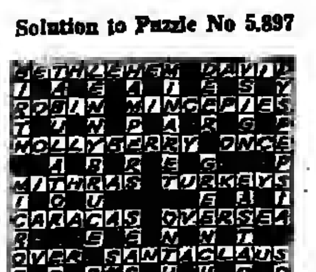
ACROSS

1 An engine driver (6)
4 T. Arne composed on a piano, quietly; that's obvious (8)
9 It's a point in the competition, actually! (6)
10 Shares in sport management ought to be included (8)
12 Imperil the man in green when drunk (8)
13 Ring loudly if returning on church duty (6)
15 Staunch back pockets (4)
16 One standing in the wine company's covered entrance (7)
20 Disadvantage of tide variation around the Gallic Sea (7)
21 Returning, satisfied, after southern spring (4)
25 Lose concentration and faint before retiring, blushing (6)
26 Having another niggle, the twin points to the dressing-gown (8)
28 Drew out about a thousand first, based on experience (8)
29 Where I am prepared to accept sound knowledge (6)
30 Experienced American turned key and gave food to the soldiers inside (8)
31 Came across half a bottle of spirit (6)

DOWN

1 Cantankerous salesman against tongue (8)
2 It has been known to let performers down! (4-4)
3 Figure the key-ring's mounted on pine (6)
5 The work has been returned before, which is disappointing (4)
6 Even though one's put in a new crate, it's an ingenious expedient (8)
7 Note on toxic preparation introduced from a foreign country (6)
8 It's used to decorate terriers without standing up (6)
11 Get better soldiers on guard (7)
14 The firing pin won't work for some reason (7)
17 Before tea-break, for example, going in to examine sprout (8)
18 Still without a female escort, the girl starts travelling (8)
19 Very stupid person of around 101, one Doctor Lee treated (8)
22 Courses we film on board (6)
23 Bury the poor gnu swallowed by a legendary being (6)
24 Like a sleep that's disturbed (6)
27 You "hear! hear!" at this point (4)

Solution to Puzzle No 5,897



APPOINTMENTS

Equity & Law chairman

Mr Peter Cox, having been chairman of EQUITY & LAW for over eight years, has decided to step down from the chair. He remains a director of the society. The board has elected Sir Richard Cave to succeed Mr Cox as chairman from January 1. Sir Richard is chairman of Vickers, deputy chairman of British Rail and a director of Tate & Lyle. Apart from a break between 1979 and 1983 while chairman of THORN EMI, Sir Richard has been a director of Equity & Law since 1972.

★

Mr P. J. Scott Plummer, a director of Martin Currie Investment Management, managers of Scottish Eastero lovestment Trust, has joined the board of CANDOVER INVESTMENTS.

★

UNITED TRUST & CREDIT bas appointed Mr Edgar Palamountain as a non-executive director. He is chairman of the Wider Share Ownership Council.

★

Mr Richard Dangerfield has been appointed managing director of INFORMATION SERVICES. He succeeds Mr Tony Tillin who bas taken up an appointment at Business Press International. Mr Dangerfield was deputy managing director of ISL and is president of Euroconsult, an association of the 12 publishers of Kompass directories in Europe.

★

Mr W. H. Caldwell has been appointed assistant managing director of THE DISTILLERS COMPANY (HOME TRADE) and will be joining the company in February. He is currently UK sales and marketing director of Harvey's of Bristol.

★

Returning to Halesowen forgemasters WALTER SOMERS after a break of over 20 years, Mr Ken Hadley has been appoloted general manager of the receotly formed steelstock division.

★

CITICORP VENTURE CAPITAL, venture capital arm of Citicorp Investment Bank, has appointed three senior investment managers: Mr Nicholas Shaw joins from the commercial group of Citibank; Mr Ronald Hobbs from Citileverage section; and Mr Andrew Royle from Baronsmead Associates.

★

Mr Philip J. Mendonca has been appointed group accountant of HALMA.

★

Mr Alan Johnson has been appointed managiog director of a new company—FUNDAMENTAL & MARSHALL BROKERS. This company is a joint venture between Fundamental Brokers Inc, of New York and M. W. Marshall, a leadlog international money broker. The new company will serve the UK primary dealers when the oew licences to deal io gilts come into effect in October next year. Mr Johnson was formerly with stockbrokers Wood Mackenzie.

★

Mr Peter Smith has been appointed national director of training for BINDER HAMLYN. He joined earlier this year from Ernst & Whinney's contineotal practice where be was partner in charge of professioal development. Binder Hamlyn has admitted the following into partnership: Mr John Wright (taxation departmeot lo the Belfast and Enniskillen offices); Mr Ken Rainey, who becomes partner responsible for the Enniskillen office); and Mr John Hayes, taxation specialist in the BDO Guernsey office.

★

Mr J. Eric Wright has been appointed as a director of TATE & LYLE. Mr Frank Thomlinson will be retiring at the eod of April and Mr John Mitchell will be returoing to the UK to succeed him as managing director of a reconstituted UK divisioo. Mr L. R. "Red" Wilson, joiot managing director of the North American divisioo, will become sole managing director in charge of the companies in the US and Canada.

★

Mr Paul E. Doona has joined CLARKE SECURITIES, parent company of the Clarke Group, as group financial controller. He was financial controller for Miller Homes.

★

Mr Pat Galley, managing director of GIDDINGS AND LEWIS-FRASER, has been appointed vice presideot international sales, reporting to Mr Harry Ball, president of the general purpose machine tool division of Giddings and Lewis itself, a division of AMCA International. Mr John Menzies, divisiooal director and geoeral manager of Anderson Strathclyde, Bridgeton, will be joining Giddiogs and Lewis-Fraser as managiog director. These appointments are from February 1.

★

At the ENGLISH TRUST GROUP (formerly The English Association Group) Mr Christopher Parsons has relired as chairman and Mr Richard Cox-Johnson has been appointed in succession. Mr Christopber Speoce has been appointed managing director of the group.

★

FISHER LING AND BENNION has appointed as marketing director Mr Paul Morris.

★

MELITTA has appointed Mr Mike McMahon as managiog director. He was with Kerry Co-op Group as managing director of Kingdom Foods.

★

Mr Michael Thomas has been appointed managiog director of A. T. KEARNEY in Loodon. He succeeds Mr Philip Banks, who is promoted to vice president international operations for A. T. Kearoey Inc. Mr Thomas is a vice president of A. T. Kearney Inc. He was previously respoosible for setting up and managing Kearney's Benelux operatioos. Mr Banks will be responsible for managing and devrloping A. T. Kearney's consulting busines outside North America and Europe, with particular focus on Japan, China, the Middle East and Mexico. He will be based in London where Kearney's new international activities will be centred.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

[illegible]

INSURANCES

[illegible]

INSURANCE, OVERSEAS & MONEY FUNDS

Scottish Life Investments
19 St Andrew Square, Edinburgh 031-225 2211

Property	106.0	112.5		—
UK Equity	139.4	146.8	+0.1	—
American	129.0	135.9	-0.7	—
Pacific	115.0	127.0	+0.3	—
European	152.3	160.4	-0.3	—
International	127.1	134.5	-0.1	—
Fixed interest	105.4	111.3	+0.7	—
Index Linked	98.1	104.0	+0.1	—
Deposit	106.2	111.9		—
Managed	121.8	128.3	+0.1	—
Pens. Property	112.4	118.4		—
Pens. UK Equity	248.6	256.5	-0.1	—
Pens. American	135.1	142.3	-0.8	—
Pens. Pacific	119.5	125.9	+0.3	—
Pens. European	163.3	172.0	-0.4	—
Pens. International	134.5	141.7	-0.3	—
Pens. Fixed Int	111.2	111.1	+0.6	—
Pens. Index Linked	102.1	107.6	+0.1	—
Pens. Deposit	114.2	120.3		—
Pens. Managed	128.9	135.8	+0.1	—

Scottish Mutual Assurance Society
109 St Vincent St, Glasgow 041-248 6321

Flex End Nov 15	660.2	680.6		—
Pen Mnul Sept 30	421.1	434.1		—

Scottish Mutual Investments
109 St Vincent St, Glasgow 041-248 6321

Safety Fund	103.3	108.8	+0.1	—
Growth Fund	101.8	107.2	+0.7	—
Opportunity Fund	104.2	109.7	+0.9	—
Cash Fund	98.6	103.8		—
European Fund	125.2	131.8	+2.8	—
Gilts & Fxd Inc Fund	101.8	101.2	+0.7	—
Index-Linked Fund	94.9	99.9		—
International Fund	106.1	111.7	+1.4	—
North American Fund	94.2	99.2	+1.0	—
Pacific Fund	101.8	113.5	+2.1	—
Property Fund	98.6	103.8		—
UK Equity Fund	102.0	107.4	+0.3	—
UK Smaller Cos. Fund	105.2	110.8	+0.5	—
Pen. Safety Fnd	96.4	101.5	+0.7	—
Pen. Growth Fnd	97.5	102.8	+0.6	—
Pen. Opportunity Fnd	97.9	103.1	+0.8	—
Pen. Halstan Fnd	96.3	101.4	-0.1	—
Pen. Cash Fund	96.2	101.3		—

Sun Life Unit Assurance Ltd
St James Barton, Bristol BS99 7SL 0272 426911

Managed Acc	343.5	361.6	+2.9	—
Property Acc	204.6	215.4	+0.5	—
Equity Acc	476.2	501.3	+1.0	—
Fixed Interest Acc	190.0	200.1	+0.9	—
Index-Linked Acc	106.2	111.8	+0.1	—
Cash Acc	171.0	180.7	+0.1	—
American Equity Acc	177.9	187.3	+1.2	—
U.S. Bonds Acc	105.4	111.0	-0.6	—
Japan Acc	131.2	138.2		—
Pacific Acc	105.0	111.5	-0.8	—
Far Eastern Acc	270.7	285.0	+6.0	—
International Acc	255.0	269.3	+4.4	—
U.S. Dollar Acc	96.9	102.1	-0.9	—
Yen Acc	103.8	109.3	-0.2	—
European Currency Acc	101.3	106.7	+0.2	—
Distribution	146.1	153.8		9.82

Sun Life Pensions Management Ltd
(Individual pension contracts)

Pens. Managed Acc	346.6	364.9	+3.2	—
Pens. Property Acc	166.6	175.4	+0.1	—
Pens. Equity Acc	446.8	470.4	+0.9	—
Pens. F. Interest Acc	182.1	192.4	+1.1	—
Pens. Ind. Lnkd. Acc	104.9	110.5	+0.1	—
Pens. Cash Acc	170.5	187.9	+0.1	—
Pens. Amer. Equity Acc	147.3	155.1	+3.1	—
Pens. U.S. Bonds Acc	119.6	125.9	-0.6	—
Pens. Japan Acc	140.6	148.1	+4.2	—
Pens. Pacific Acc	129.0	135.8	+1.1	—
Pens. Far Eastern Acc	403.6	424.9	+7.3	—
Pens. Internal. Acc	333.6	351.2	+6.1	—
Pens. U.S. Dollar Acc	102.3	101.7	-0.8	—
Pens. Yen Acc	111.6	117.5	+0.3	—
Pens. Euro. Curr Acc	104.0	109.5	+0.3	—

Swiss Life Pensions Ltd
99-101 London Rd, Sevenoaks 0732 450161

Equity	£195.28	201.31		—
Fixed Int	£138.10	138.87		—
Index Linked	£109.15	109.69		—
Property	£156.95	161.80		—
Cash	£126.20	126.20		—
Mixed	£129.93	185.49		—
International	£187.62	152.18		—

Next sub day Dec 18

Australian Gen Mgmt Ltd
48 Athol Street, Douglas, IoM

BIA Bond Investments AG
10 Baarerstrasse CH6301, Zug, Switzerland

BNP Inv Mgmnt (Jersey) Ltd
PO Box 158, St Helier, Jersey

Julius Baer Bank & Trust Co Ltd
Butterfield House, Grand Cayman

Bamford Brandt Guernsey Mngt. Ltd
PO Box 73, St Peter Port, Guernsey

The Bangkok Fund
Bangkok First Inv & Trust Ltd
300 Silom Road, Bangkok, Thailand

OFFSHORE AND OVERSEAS

Money Market Trust Funds

Money Market Bank Accounts

Save & Prosper/Robert Fleming
28 Western Rd, Romford RM1 3LB 0708 66966

H.I.C.A.	10.70	8.00	17.89	Daily

Tyndall & Co
29-33 Princess Victoria St, Bristol. 0272 732241

Demand Acc	11.33	8.47	12.49	Qtr
Money Acc	11.03	8.25	12.15	Qtr

J. Henry Schroder Wagg & Co Ltd
Enterprise House, Portsmouth 0705 827733

Special Acc	11.08	8.22	12.20	Mth
Over £10,000	11.25	8.41	12.49	Mth

Western Trust & Savings Limited
The Moneycentre, Plymouth PL 1SE 0752 24191

High Int Chq Acc	11.63	8.69	12.83	Qtr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ⊕ Yield column shows annualised rates of NAV increase, not dividend.

OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	28	Marks & Spencer	13
BAT	26	Midland Bk	35
BOC Grp	27	NEI	18
BSR	8	Nat West Bk	55
BTR	33	P & O Dfd	35
Babcock	13	Plessey	14
Barclays	33	Polly Peck	21
Beecham	30	Racal Elect	15
Blue Circle	50	RHM	12
Boots	18	Rank Org Ord	35
Bowaters	30	Reed Intnl	40
Brit Aerospace	32	Sears	11
Brit. Telecom	17	TI	35
Brown (J.)	3½	Tesco	24
Burton Ord	45	Thorn EMI	34
Cadburys	13	Trust Houses	12
Charter Cons	18	Turner Newall	9½
Comm Union	23	Unilever	90
Courtaulds	13	Vickers	35
Distillers	36	**Property**	
FNFC	12	Brit Land	14
Gen Accident	55	Land Secs	26
Gen Electric	14	MEPC	26
Glaxo	100	Peachey	24
Grand Met	30	Samuel Props	15
GUS 'A'	70	**Oils**	
Guardian	60	Brit. Oil & Min	3½
GKN	28	Brit Petroleum	45
Hanson Tst	18	Burmah Oil	27
Hawker Sidd	36	Charterhall	4
ICI	42	Premier	5
'Imps'	16	Shell	55
Jaguar	27	Tricentrol	18
Ladbroke	27	Ultramar	18
Legal & Gen	60	**Mines**	
Lex Service	24	Cons Gold	40
Lloyds Bank	35	Lonrho	12
Lucas Inds	38	Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

Oil shows sharp gains but markets remain nervous

BY DOMINIC LAWSON

OIL PRICES on both sides of the Atlantic recorded sharp gains yesterday, following reassuring statements by leading figures in the Organisation of Petroleum Exporting Countries.

On the European market January cargoes of Brent, the main North Sea crude was traded initially at $25.70 a barrel and moved up in a thin market to $26.95. In chaotic conditions on Wednesday Brent had opened at a six year low of $21.80 and closed at $24.75.

But traders described the market as "floundering" and said that prices had still not settled down after the panic of the past few days, when the oil market appeared to believe that a price war was imminent.

The market was still in a nervous state after North Sea crudes had fallen to such low levels that it had become possible for a Japanese company to buy Brent and ship it to the Far East and still undercut local crudes.

On the New York Mercantile Exchange prices also hardened by up to 60 cents a barrel, despite the fact that crude and products stocks in the US were up 21m barrels on the figure from a week earlier.

On the physical market in the US there was little activity, but a great deal of tension. In the unsettled market neither refiners nor producers are willing to buy or sell more than a bare minimum, to avoid starting a precipitate price movement in an unfavourable direction.

"It is like a Mexican stand-off" said Mr Walter Zimmerman, vice president at E. F. Hutton. "It's not clear whether the producers or the refiners are going to move first, but there will be some big price movements when one of them does"

Coffee rise may hit retail prices

BY ANDREW GOWERS

COFFEE MARKETS in London and New York yesterday scaled new heights after shrugging off a further 1m-bag release of export quotas by the International Coffee Organisation.

In London, robusta coffee futures for March delivery rose by £22.50 per tonne on the day to £2,120.50 in volatile trading. The 1m-bag quota release, which takes the total quota allocated for the year under the ICO's export controls to 60m bags, was the second in the past few weeks. A further 3m bags will be released in the next few days if the ICO's 15-day moving average price rises to 150 cents a pound from its current level of 148.81 cents.

There is no immediate shortage of coffee supplies, especially since consumer stocks are relatively high at present. But European coffee roasters are becoming increasingly worried by the dramatic price increase, which results from anticipated drought damage to the key Brazilian crop. This could be cut by half next year from its estimated 1985 level of 30m bags.

Roasters say the increase could soon have an effect on retail coffee prices, and they are already preparing themselves for the need to switch their blends away from Brazilian coffees. "We're certainly not just sitting around waiting for Armageddon," said one.

Particular concern is focused on the good-quality arabica grades of coffee of which Brazil is a key producer. The premium of arabica over robusta grades has risen to its highest level in percentage terms since 1981 following a big frost in Brazilian growing areas.

Analysts believe there will be no physical shortage of overall supplies until June 1986 at the earliest, when the new harvest is due to begin. Brazil could conceivably fulfil its 17m-bag export quota for the year as a whole by heavily running down its stocks, which are reasonably plentiful following this year's bumper crop.

But Ms Bronwyn Curtis, coffee analyst at Landell Mills Commodities in London, estimates that Brazil will only have about 13m bags of good-quality coffee available for export next year, including stocks, compared with 20m bags in 1985.

If Brazil does look like running seriously short of coffee, though, it could declare a shortfall to the ICO, which then redistribute of its export quota among other members. This poses the risk that it might not be able to get its quota back if production recovers after next year. But roasters are reasonably confident that they would be able to fulfil their needs by buying from other countries such as Colombia and Mexico.

Canada and US fight for wheat sales

BY NANCY DUNNE IN WASHINGTON

CANADA AND the US, soon to begin negotiating a broad free trade agreement, are also engaged in a heated dispute over agriculture subsidies as each tries to sustain its own share of the shrinking world wheat market.

US wheat associates last week won a ruling by the US trade representative's office that the Canadian government is providing wheat export subsidies through its payments to domestic railroads. A study commissioned by the organisation found that the Canadian government pays nearly 79 per cent of the cost of shipping wheat from farms to export points.

The trade office ruling imposes no penalty, but Mr Winston Wilson, President of the wheat associates, has asked the US department of agriculture to include in its export enhancement programme those countries which have been traditional, Canadian markets. Until now, the programme, which subsidises US grain sales with "bonuses" from government stocks, has been targeted towards markets gained by the EEC.

Mr John Morris, spokesman for the Canadian wheat board, said that while the board is "worried" about the wheat associates attack, it also finds it "patently ridiculous." Canadian wheat subsidies amount to about 52 Canadian cents a bushel compared with C$1.18 a bushel for American wheat.

The Canadian government's assistance to rail transportation goes back to the turn of the century. Subsidies of rail rates allowed the country to encourage westward emigration.

US traders believe that Canada has been beating them in some of their traditional Latin American and Asian markets. Mr Wilson said the freight subsidy has been "a major factor" in Canada's "very predatory price practices in traditional US markets."

Mr Morris questioned the US rights to particular markets. "If they want to play first in that's fine," he said. "We'll take China and the Soviet Union."

USDA is projecting wheat import demand at about 90m tonnes for 1985-86, the lowest since 1979-80. Not only are wheat users importing less for food use, but ample global supplies of coarse grain may restrict the trade in feed wheat.

The US is expected to sell about 27.2m tonnes of wheat and wheat flour on the world market in 1985-86, down from 38.1m in 1984-85. Canada's exports are forecast by USDA to fall from 19.4m tonnes last year to 16.5m tonnes. The EEC is expected to maintain its 17.5m tonnes of wheat exports.

Canute James on the tactics being adopted by main consumers

Bauxite producers under threat

FOR THE first time since its formation 11 years ago, the International Bauxite Association (IBA) finds itself confronted with what it perceives as a threat to its integrity.

At their recent annual meeting at the IBA's headquarters in Kingston, Jamaica, government ministers from 11 member countries discovered that several major consumers were trying to play off one country against the other.

At the end of their meeting, the ministers, whose countries last year accounted for 73 per cent of world bauxite output, agreed to reinforce efforts "to ensure that operations or projected operations by multinational corporations in the bauxite industry of one member country shall not be used to damage the interests of other member countries."

Mr Henry Bovell of Guyana, the current IBA Secretary General, said he could not disclose which of the major companies had been trying to split the ranks of the producers' organisation.

"I can say, however, where some of this has been taking place," he said. "Companies have made advances to the industry in Guinea, suggesting that the country gives up its production levy, on the basis of a false claim that Jamaica has done away with its levy. Similarly, Surinam has been told that Jamaica has forgone its levy, so the cost of bauxite in Surinam should be reduced."

The IBA has decided on a course of "continued consultations" in an effort to deal with the matter. The Association acts as a monitor for the industry, and as a data bank. Mr Bovell said the Secretariat had information on the state of the industry in the member countries, and informs them of the correct status of national policies such as those governing production levies.

For most of the association's members — Australia, Guinea, Jamaica, Indonesia, India, Yugoslavia, Ghana, Sierra Leone, Guyana, Surinam and the Dominican Republic—these are depressing times for their bauxite industries.

Weak demand has deprived many of the basis of already limited foreign currency earnings and although the ministers' meeting anticipated "early rationalisation and improvement of the industry," there is little in the short to medium term which promises meaningful relief.

In Jamaica, the world's third largest producer after Australia and Guinea, raw ore output fell from 12m tonnes in 1980 to an anticipated 6.1m tonnes this year. Mr Hugh Shearer, the island's trade minister, says it has lost potential earnings of $500m over the past five years because of reduced output.

The IBA has been attempting to guide its members each year by recommending minimum prices at which they should sell raw and refined bauxite to consumers in North America and Europe.

The problem, however, has been to find what Mr Hugh Hart, Jamaica's mining minister, refers to an "intrinsic value" for bauxite. "While some countries have their levies or export taxes which are payable as a committed cost element in the production process," Mr Hart said, "others have a system . . . whereby a value for bauxite, if any, is determined by whether the company makes a profit or not." Mr Hart compared this with situations in which the industry regarded items such as oil, caustic soda and managers, salaries as items which must be paid for as costs of doing business.

"What is the basis for this distinction?" he asked. "Is bauxite less important than oil or caustic soda in making alumina? I think not."

In an effort to arrive at this "intrinsic value" for the raw material, the IBA has recommended that members use a reference price, determined by the price of aluminium ingot, to value the worth of the raw and refined bauxite which they will sell next year. The reference price is arrived at by taking 50 per cent of an average of medium- to long-term prices for aluminium ingot, and adding it to 50 per cent of the average spot market prices for 99.5 per cent purity metal sold in North America and Europe.

The Association has recommended that for 1986, the minimum price per tonne of metallurgical base grade bauxite be between 2.5 per cent and 3.5 per cent of the reference price.

For alumina (refined bauxite) the recommended minimum price per tonne is between 12 per cent and 16 per cent of the reference price.

The recommended minimum prices are not binding on any member, but the IBA regards them as fundamental in the efforts of bauxite producers to get a "fair return" for the commodity.

Mr Bovell has rejected recent reports that the recommended minimum prices are largely ignored by IBA members in the scramble to unload material on shrinking market.

"Most members have been standing by the recommended minimum prices," the Secretary General maintained. "The transgressions have been a few isolated cases, and not really because any IBA member decides to ignore the recommendations."

The Association has been attempting to increase its membership and gather all major producers within its fold. This explains the continued interest in Brazil, the world's fourth largest producer, which has not yet become convinced that it should change its status as an observer at IBA meetings to that of a full member.

"It would be good to have Brazil as a member," said Mr Bovell. The producers' organisation, however, will not be hard bit by the impending loss of one of its founding members. The Secretariat is expecting a letter from the Dominican Republic indicating its formal withdrawal from the IBA.

The country's bauxite industry died two years ago when the Aluminium Company of America finished mining and returned its concession to the Government. At its strongest, the Dominican industry produced an average of one million tonnes a year.

This is the second founding member which the IBA will be losing. Haiti, which shares the island of Hispanola with the Dominican Republic, withdrew in 1983 after Reynolds Metals closed its mines, saying commercially exploitable ores had been exhausted.

SURALCO LOSSES CONTINUE

The Suriname Aluminium Company (Suralco), a wholly owned subsidiary of the Aluminium Company of America, is to seek a reduction of taxes it pays to the Government when it negotiates a new contract for operating in the country.

Alcoa says that the company will be cutting its 3,500 Surinam workforce by 500.

The company's contract expires at the end of this year, but it is not clear when the negotiations on the new agreement will begin.

The company said the attempt to reduce tax payments, which it said was about $15 per tonne of bauxite, was being made because of continuing losses on operations in the Dutch-speaking South American republic.

Suralco last year reported losses of $15m following a $9m profit in 1983. The company did not say what losses it anticipated for this year.

Suralco operates a 1.4m tonne per year bauxite refinery, the largest in South America, and a smelter with a rated capacity of 60,000 tonnes per year.

The other company in the Surinamese bauxite industry, Billiton, a subsidiary of Royal Dutch Shell, is anticipating losses this year of $27.8m, after losing $21.3m last year. The company reported a loss of $10.2m in the first six months of this year.

The Surinam bauxite industry has recently found that production costs for alumina were reduced to $140 per tonne from last year's $190 per tonne.

Surinam last year produced 3.3m tonnes of bauxite, and the country's earnings from the industry totalled $294m.

Tin council adjourns until next Wednesday

By Stefan Wagstyl

THE International Tin Council, which runs a price pact between 22 countries, has adjourned its emergency meeting on the tin market crisis until next Wednesday to give the EEC nations more time to consider their positions.

Apart from the UK, the Community countries have yet to decide whether or not to contribute to a settlement of the debts of hundreds of millions of pounds which the tin council has run up with metal brokers and bankers.

The meeting of national ambassadors to the EEC will debate the crisis tomorrow, preparing the ground for a meeting at ministerial level early next week.

This week an ITC working party met representatives of 13 London Metal Exchange brokers with tin council contracts and of the 16 creditor banks. Their discussions centred on ways of sharing the potential losses faced by the tin council on its tin stockpile when trading resumes and the tin price falls. The brokers have informally agreed to contribute to the loss. The banks have so far refused to take anything less than 100 per cent repayment of their loans. Their agreement is needed since the council could require a bridging loan of up to £550m to run down its stocks, on top of the £350m it has already borrowed.

Yesterday the LME board and committee, encouraged by the "constructive atmosphere" of talks with the ITC, extended its suspension of tin trading for another week, to December 20.

All sides recognise that they are running out of time to settle the crisis which erupted nearly two months ago. ITC delegates said if the EEC countries agreed, a working party with negotiating rights would be set up immediately on Wednesday. LME brokers said that the tin market would have to reopen early in the New Year—with or without a settlement.

The 16 creditor banks, which are meeting tomorrow to consider their next move, say they could be flexible on the cost, amount and term of loans. It is understood that they would also scale-down their demand for sovereign guarantees as security. An unspecified alternative funding proposal has also been put forward.

But all eyes will be on Brussels. Delegates believe that if the EEC states agree to help fund a settlement, other important ITC members —Japan on the consumer side, Malaysia, Indonesia and Thailand on the producers' side—will do the same.

LONDON MARKETS

PRICES EASED again on the London Metal Exchange yesterday as sterling bounced back against the dollar. Cash higher-grade copper lost £23.25 a tonne on the day to close at £969.25, under pressure from profit-taking and general liquidation. Zinc and nickel both eased in line with currencies, while lead was once again little changed. The one exception to the trend was aluminium, which only fell marginally. Aluminium has recently been on something of a bull trend, and now appears to be sustaining levels well above £700 a tonne for the first time since mid-September. Dealers remain broadly optimistic about the metal's prospects for next year. In soft commodities, raw sugar futures were between $2.60 and $3.60 a tonne higher than Wednesday in late afternoon trading, boosted by the weaker dollar and renewed market talk of damage to the Cuban crop caused by drought and by the recent hurricane. Cocoa futures were little changed from Wednesday's highs.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	729.5-30.0	—1.5	731/728.5
3 months	755.5-.0	—1.5	760/750

Official closing (am): Cash 730.5-1 (720-.5), three months 755.5-6 (745-.5), settlement 731 (721). Final Kerb close: 752.5-3. Turnover: 24,525 tonnes.

COPPER

Higher grade	Unofficial close	+ or —	High/low
Cash	969-.0	—23.25	981/962
3 months	991-.5	—22.25	1007/981

Official closing (am): Cash 981-.5 (970-.5), three months 1,002.5-3 (991.5-2), settlement 981.5 (970.5). Final Kerb close: 993-4.

Cathodes			
Cash	953-4	—14.5	—
3 months	975-7	—22.0	976/976

Official closing (am): Cash 968-70 (957-9), three months 988-90 (978-80), settlement 970 (959). Turnover: 41,775 tonnes. US Producer prices 67.00-72.00 cents per pound.

LEAD

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	267.8	—0.70	268-267
3 months	279.5-8	—0.38	276-275

Official closing (am): Cash 267.5-8 (273-.5), three months 275.5-6 (282-.5), settlement 268 (273.5). Final Kerb close: 275.5-6. Turnover: 8,850 tonnes. U.S. Spot: 18.75-20.00 cents per pound.

NICKEL

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	2805-1	—57.5	2810/2795
3 months	2845-5	—55	2850/2835

Official closing (am): Cash 2,790-800 (2,820-5), three months 2,835-40 (2,855-60), settlement 2,800 (2,825). Final Kerb close: 2,845-50. Turnover: 4,416 tonnes.

ZINC

High grade	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	470-3	—0.25	475/473
3 months	471-2	—2.75	476/470.5

Official closing (am): Cash 473-4 (475-6), three months 473-4 (473-4), settlement 474 (476). Final Kerb close: 471-2. Turnover: 12,300 tonnes. US Prime Western: 33.50-35.75 cents per pound.

GOLD

Gold rose $2¼ an ounce from Wednesday's close in the London bullion market yesterday to finish at $317¼-317¾. The metal opened at $316½-318¼ and traded between a high of $318-318½ and a low of $315¼-315¾. Attention tended to focus on oil prices rather than the dollar and with the former showing a steadier trend so gold recorded modest gains during the afternoon.

GOLD BULLION (fine ounce)		Dec 11
Close	$317¼-317¾	(£220¼-221)
Opening	$316¼-316¾	(£222¼-223¼)
M'n'g fix	$316.00	(£220.014)
Aft'n'n fix	$317.00	(£220.146)

GOLD AND PLATINUM COINS		
Kr'g'r'nd	$310¼-320	(£209-220¼)
½ Krug.	$168½-169¼	(£117-117½)
¼ Krug.	$86¼-87	(£60-60½)
1/10 Krug.	$30¼-36	(£24¼-25)
Mapleleaf	$327¼-328	(£227¼-228)
Angel	$326-322	(£290¼-227¼)
1/10 Angel	$31½-30½	(£22-25¼)
New Sov.	$70¼-76¼	(£53-55¼)
½ New Sov.	$45¼-46½	(£31¼-32¼)
Old Sov.	$121-89½	(£56¼-57¼)
$20 Eagle	$430-478	(£290¼-306¼)
Noble Plat	$338-342¾	(£235½-238)

SILVER

Silver was fixed 2.95p an ounce lower for spot delivery in the London bullion market yesterday at 402.45p. US cent equivalents of the fixing levels were: spot 577.5c, down 2c; three-month 588.05c, down 2.55c; six-month 599.35c, down 2.65c; and 12-month 622.4c, down 3.85. The metal opened at 406-408p (578-580c) and closed at 405-407p (582-584c).

SILVER per troy	Bullion Fixing Price	+ or —	L.M.E. p.m. Unofficial	+ or —
Spot	402.45p	-2.95	401.0p	-9
3 months	413.20p	-5.55	413.3p	-2.2
6 months	424.80p	-5.75	—	—
12 months	447.00p	-4.85	—	—

LME—Turnover: 194 (38) lots of 10,000 oz.

Three months high 415p, low 412.5p, final kerb 412.5-4.5p.

MEAT

Prices remained steady despite lower levels in the physical market but volume remained poor, reports CCST Commodities.

Month	Yesterday's close	Previous close	Business done
	p. per kilo (deadweight)		
Feb	102.00	102.00	—
April	108.20	103.00	—
June	99.00	100.20	—
Aug	98.90	98.90	98.90
Oct	104.90	103.80	—
Nov	105.50	105.20	—

Sales: 2 (2) lots of 50 carcases, 3,250 kg.

MEAT COMMISSION — Average fatstock prices at representative markets. GB—Cattle 103.88p per kg lw (+7.23). GB—Sheep 181.87p per kg est dcw (+3.92). GB—Pigs 80.78p per kg lw (—1.85).

INDICES

FINANCIAL TIMES

Dec. 12	Dec. 11	M'th ago	Year ago
—*	—*	—*	286.67

(Base: July 1 1952=100)

REUTERS

Dec. 12	Dec. 11	M'th ago	Year ago
1778.7	1781.3	1736.7	1894.0

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Dec. 11	Dec. 10	Month ago	Year ago
Spot	121.10	121.55	—	122.69
Fut.	124.46	125.05	—	124.71

(Base: December 31 1974 = 100)
* Not available due to suspension of tin LME.

MAIN PRICE CHANGES

In tonnes unless otherwise stated. ‡ Unquoted. x Dec-Jan. † Per 76 lb flask. c Cents per pound. z Jan.

	Dec. 12 1985	+ or —	Month ago
METALS			
Aluminium	£1100	.....	£1100
Free Mkt	$1180/80	+50	$965/1005
Copper			
Cash h Grade	£969.25	-23.25	£974
3 mths	£991.25	-22.25	£999.70
Gold Troy oz	$317.0	+2.25	$325.75
Lead Cash	£267.5	-0.75	£276.0
3 mths	£270.75	-0.38	£282
Nickel			
Free Mkt	181/201c		186/206c
Palladium oz	$93.90	-9	$100.70
Platinum oz	$330.50	+5.0	$353.75
Quicksilver†	$270/280		$280/285
Silver troy oz	402.45p	-2.95	431.25p
3 months	410.20p	-0.55	442.60p
Tin cash	‡		‡
3 months	‡		‡
Tungsten	$77.77	...	$70.28
Wolfram 22.04lb	$58/64		$60/65
Zinc	£471	-5.25	£480
3 months	£471.5	-3.75	£427.5
Producers	$880/870		$880/870
OILS			
Coconut (Phil)	$396x	+5	$409.5
Palm Malayan	$395z	+7.0	$385
SEEDS			
Copra Phil	$207.0	...	$255
Soyabean (U.S.)	$217.3	-1.6	$221.10
GRAINS			
Barley Fut. Mar.	£115.50	+0.15	£110.50
Maize	£142.50		£135.00
Wheat Fut. Mar.	£110.75	-0.20	£119.50
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Mar.	£1748.5	-4	£1665.5
Coffee Ft. Mar.	£2120.5	+22.0	£1883.5
Cotton A Index	48.30c	+0.25	48.20c
Gas Oil Feb.	$234	+2.25	$270
Rubber (kilo)	57.5p	+0.5	56p
Sugar (raw)	$138x	-2	$150
Wooltops 64s	480p kilo	+8	488p kilo

COFFEE

In a further session of volatile trading futures opened £40-50 lower but rose steadily throughout the day, reports Drexel Burnham Lambert. In the afternoon further talk of a low Brazilian crop for 1986-87 forced the New York market to limit-up, before general profit-taking emerged to trim prices from the highs. The movements were again supported by an active physical market.

COFFEE	Yesterday's Close	+ or —	Business Done
Jan	2075-2080	+30.0	2100-1988
March	2120-2121	+22.5	2130-2045
May	2165-2168	+9.0	2210-2110
July	2215-2220	+6.5	2258-2165
Sept	2252-2260	+3.5	2282-2217
Nov	2286-2290	+1.0	2330-2265
Jan	2320-2358	+2.5	—

Sales: 10,152 (9,182) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for December 11: Comp daily 1979 158.07 (159.54); 15-day average 148.81 (147.91).

COCOA

Futures opened on a weak note but steadied during a day of light volume and closed on a reasonably firm note. Some producer interest was rumoured but physicals were generally neglected, reports Gill and Duffus.

COCOA	Yesterday's Close £ per tonne	+ or —	Business Done
Dec.	1701-1709	—0.5	1712-1690
March	1748-1749	—4.0	1756-1738
May	1758-1760	—6.0	1767-1748
July	1770-1774	—5.0	1780-1761
Sept.	1766-1786	—0.0	1794-1771
Dec.	1786-1789	—9.5	1798-1782
March	1798-1805	—0.0	1809

Sales: 2,685 (3,637) lots of 10 tonnes.

ICCO indicator prices (US cents per pound). Daily price for December 12: 108.34 (106.95); five-day average for December 13: 107.97 (107.67).

FREIGHT FUTURES

Opening levels came under pressure on selling met nervous buying interest. Quotations recovered mid-session, but the higher levels were eroded and final values were back towards the day's lows, reports Clarkson Wolff. The Baltic Freight Index was 910, down 3.0.

	Close	High/Low	Prev.
Jan.	875/878	881/875	881/883
April	925/925	931/930	931/934
July	813/820	810	810/820
Oct.	910/915	—	912/920
Jan.	910/950	—	910/940
April	970/900	—	970/980
July	860/880	—	860/880
Oct.	950/1000	—	901/999

Turnover: 111 (47).

GRAINS

Wheat found profit-taking to gradually ease from opening levels after a steadier physical market. Trade was thin and the market closed at the day's lows. Barley was a little more active, remaining in a narrow range, a touch steadier, on good export demand, reports Muirpace.

WHEAT Mnth	Yesterday's close	+ or —	BARLEY Yesterday's close	+ or —
Jan	119.90	-0.20	110.50	+0.15
Mar	115.75	-0.20	113.50	+0.15
May	118.65	-0.25	115.50	+0.15
July	120.85	-0.10	—	—
Sept	99.00	—	98.50	—
Nov	101.90	-0.05	101.45	—

Business done—Wheat: Jan 113.20-2.90, March 115.85-5.80, May 119.15-8.65, July untraded, Sept 99.00 only, Nov 102.00-1.90. Sales: 99 lots of 100 tonnes. Barley: Jan 110.55-10.50, March 113.60-3.45, May 115.60-5.40, Sept 98.50 only, Nov untraded. Sales: 156 lots of 100 tonnes.

LONDON GRAINS—Wheat: US Dark Northern Spring No. 1, 15 per cent: Dec 136.50, Jan 139, Feb 141.50, March 144 transhipment East Coast. US No. 2 Soft Red Winter: Jan 123.75, Feb 124.25, March 124.50. EEC French, Dec 135. English Feed, fob: Jan/June 118.75, April/June 121 paid East Coast, Dec 113.50 seller, Jan 115.75-116.25, Jan/March 117.00-117.75, Jan/June 119.25-119.00 buyer/seller, April/June 121 seller. Maize: US No. 3 Yellow/French, transhipment East Coast: Dec 142.50. Barley: English Feed: Jan/March 119.25 paid East Coast, Dec 112 seller Peterhead, Jan 114.25-115.00 buyer/seller, Feb 110.75 seller, Jan/March 110.25 buyer. Rest unquoted.

HGCA — Locational ex-farm spot prices. Feed barley: S. East 107.20, S. West 106.00, N. West 105.60. The UK monetary coefficient for the week beginning Monday December 16 will remain unchanged.

SUGAR

LONDON DAILY PRICE—Raw sugar $138.00 (£96.00), down $2.00 (down £2.00) a tonne for Dec-Jan delivery. White sugar $173.00, down 50c.

No. 6 Contract	Yest'day's close	Previous close	Business done
	$ per tonne		
Mar	158.0-158.4	157.2-157.4	161.6-156.6
May	163.0-163.2	161.2-161.6	165.4-162.2
Aug	167.6-168.0	166.8-166.8	163.8-167.4
Oct	171.0-172.4	170.0-170.2	174.4-171.6

Sales: 1,117 (1,843) lots of 50 tonnes.

Tate & Lyle delivery price for granulated basis sugar was £199.50 (£201.50) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports). Prices for December 11: Daily price 0.46 (0.61); 15-day average 5.55 (5.53).

PARIS — (FFr per tonne): March 1387-1389, May 1405-1410, Aug 1455-1465, Oct 1485-1500, Dec 1510-1525, March 1565-1579.

POTATOES

Stale long liquidation following the lack of response to recent bull factors and fresh trade, and speculative selling interest, resulted in further losses. Reports of a slower tone in the physical market and the resurrection of an unconfirmed rumour concerning processor import contracts for Dutch potatoes may help to explain current drift in values. A break below the £90.00 shortest support level for April, led to a flurry of selling interest, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Feb	81.50	81.80	—
Apr	89.80	91.00	90.00-89.60
May	95.60	96.50	95.80-95.30
Nov	73.80	74.00	—

Sales: 358 (120) lots of 40 tonnes.

SOYABEAN MEAL

	Yesterday close £ per tonne	+ or —	Business done
Dec.	—		
Feb.	127.4-127.8	+0.15	127.5-127.0
Apr.	128.5-128.8	+0.55	128.0
June	123.5-124.8	+0.40	123.0
August	123.5-125.5	+0.70	—
October	124.0-125.6	+1.00	—
Dec.	124.0-126.0	+0.50	—

Sales: 284 (70) lots of 20 tonnes.

US MARKETS

PRECIOUS METALS were mixed with speculation over a US discount rate cut and a weak dollar encouraging short-covering, reports Heinold Commodities. Copper was weak on selling linked to profit-taking following recent gains. Aluminium was firm continuing to reflect concern over production cutbacks and low stock levels. Sugar remained featureless on a lack of fresh news. The firmness of sterling combined with lingering concerns over Ivory Coast prospects supported cocoa values. Coffee was limit-up bid on good arbitrage buying and a lack of selling due to Brazilian crop uncertainty. Cotton was firm on good mill price-fixing which touched off commission house short-covering. Energy values were firm reflecting a continued rally from the sharp setback evident this week along with weather forecast of cold weather in the North-Eastern US. The soyabean complex was firm on continuing fears that the drought in Brazil will cut yields. The grain complex was mixed with good commercial interest supporting maize in nearby months.

NEW YORK

ALUMINIUM 40,000 lb. cents/lb

	Close	High	Low	Prev
Dec	48.80	—	—	48.00
Jan	48.95	—	—	48.20
Feb	49.35	—	—	49.20
March	49.70	49.90	49.45	48.95
May	50.40	50.45	50.20	49.65
July	51.05	51.20	51.20	50.35
Sept	51.80	—	—	51.05
Dec	52.86	—	—	52.10
Jan	53.20	—	—	52.45
March	53.90	—	—	53.15

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
Dec	2190	2193	2184	2163
March	2249	2259	2236	2226
May	2290	2297	2278	2264
July	2306	2315	2292	2279
Sept	2328	2334	2314	2300
Dec	2340	2334	2330	2309
March	2351	—	—	2320

COFFEE "C" 37,500 lb. cents/lb

	Close	High	Low	Prev
Dec	186.68	188.00	183.00	179.40
March	189.98	189.96	188.00	182.96
May	193.60	193.60	191.25	187.60
July	197.80	197.80	194.90	191.80
Sept	201.14	201.14	196.00	195.14
Dec	206.67	206.67	202.50	199.67
March	206.00	206.00	204.50	200.00
May	209.96	210.25	215.00	204.25

COPPER 25,000 lb. cents/lb

	Close	High	Low	Prev
Dec	63.30	64.10	63.15	64.06
Jan	63.50	64.10	64.10	64.25
Feb	63.65	—	—	64.40
March	63.90	64.70	63.75	64.35
May	64.05	64.95	64.00	64.80
July	64.30	65.10	64.30	65.00
Sept	64.50	65.30	64.70	65.20
Dec	64.80	65.40	65.00	65.45
Jan	64.90	—	—	65.55
March	65.10	65.85	65.30	65.75

COTTON 50,000 lb. cents/lb

	Close	High	Low	Prev
March	60.83	61.19	59.85	59.77
May	60.55	61.05	60.06	60.05
July	58.93	59.24	58.75	58.65
Oct	51.90	52.70	51.80	52.10
Dec	49.87	50.80	49.86	50.25
March	50.70	51.25	51.25	51.10
May	51.00	—	—	51.35

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

	Latest	High	Low	Prev
Jan	27.38	27.60	27.10	26.78
Feb	26.40	26.68	26.10	25.79
March	25.73	26.29	25.40	25.19
April	26.06	25.50	24.85	24.72
May	24.70	25.20	24.56	24.43
June	24.39	25.00	24.25	24.18
July	24.05	24.90	24.05	24.00
August	23.82	23.92	23.82	23.92
Sept	23.77	24.25	23.62	23.84
Oct	23.75	—	—	23.77

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
Dec	317.1	318.1	316.2	316.8
Jan	318.6	—	—	317.3
Feb	320.4	321.4	316.7	320.1
April	324.0	326.0	322.8	323.7
June	327.8	329.0	328.5	327.6
August	331.8	332.0	331.0	331.0
Oct	335.9	336.7	336.7	335.0
Dec	340.1	340.5	338.9	339.5
Feb	344.3	344.8	344.0	344.0
April	348.5	348.8	348.8	348.3
June	353.2	353.8	353.8	353.0
August	358.1	358.7	356.7	357.9
Oct	363.3	363.0	363.0	363.1

SPOT PRICES — Chicago loose lard 13.00 (15.50) cents per pound. Handy and Harman silver bullion 582.0 (541.0) cents per troy ounce.

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	High	Low	Prev
Jan	79.30	80.10	78.95	78.70
Feb	78.30	79.20	77.90	77.99
March	73.85	74.35	73.35	74.54
April	68.70	70.45	68.70	68.64
May	66.70	67.40	66.70	66.64
June	66.00	66.50	66.00	66.00
July	66.60	66.50	66.50	65.35
August	66.00	66.00	66.00	65.30

ORANGE JUICE 15,000 lb. cents/lb

	Close	High	Low	Prev
Jan	117.50	117.90	116.60	116.20
March	118.10	120.10	118.40	118.40
May	120.00	121.00	119.55	119.70
July	121.60	122.00	121.40	121.00
Sept	119.25	119.00	119.00	117.25
Nov	118.60	118.60	118.40	117.80
Jan	119.00	—	—	117.75
March	119.25	—	—	118.00
May	119.25	—	—	117.80

PLATINUM 50 troy oz. $/troy oz

	Close	High	Low	Prev
Dec	326.9	—	—	321.4
Jan	328.9	332.4	326.0	323.4
Feb	329.5	—	—	324.4
April	332.9	336.0	331.5	327.0
July	336.2	339.5	335.0	331.1
Oct	339.0	342.0	339.0	334.8
Jan	344.9	—	—	338.8

SILVER 5,000 troy oz. cents/troy oz

	Close	High	Low	Prev
Dec	584.7	585.0	579.0	576.8
Jan	587.1	588.0	586.0	579.3
Feb	591.0	590.0	590.0	583.1
March	595.0	596.5	588.0	587.0
May	602.0	604.0	596.0	594.0
July	610.3	612.6	603.0	602.0
Sept	618.3	619.0	612.0	609.8
Dec	630.0	630.0	622.0	621.7
Jan	634.5	—	—	625.8
March	643.3	641.2	636.5	634.2

SUGAR WORLD "11" 112,000 lb. cents/lb

	Close	High	Low	Prev
Jan	5.08	5.20	5.20	5.15
March	5.07	5.19	5.07	5.09
May	5.26	5.39	5.25	5.25
July	5.42	5.54	5.41	5.37
Sept	5.53	5.63	5.53	5.49
Oct	5.66	5.77	5.66	5.60
Jan	5.78	—	—	5.73
March	7.25	7.32	7.25	7.18
May	7.56	—	—	7.35

CHICAGO

LIVE CATTLE 40,000 lb. cents/lb

	Close	High	Low	Prev
Dec	65.82	65.90	64.85	65.35
Feb	62.17	62.50	61.35	62.15
April	61.10	61.75	60.85	61.30
June	61.82	61.95	61.25	61.65
August	60.20	60.45	59.80	60.25
Oct	58.95	59.50	58.80	59.00
Dec	60.00	60.40	60.00	60.35

LIVE HOGS 30,000 lb. cents/lb

	Close	High	Low	Prev
Dec	48.97	49.10	48.22	49.40
Feb	47.30	47.55	46.52	47.52
April	42.40	42.70	41.85	42.55
June	44.82	44.95	44.00	44.50
July	44.62	45.10	44.20	44.75
August	43.85	44.10	43.40	43.85
Oct	40.15	40.35	40.02	40.10
Dec	41.15	41.25	41.10	41.05
Feb	41.42	41.45	41.42	41.45

MAIZE 5,000 bu min. cents/56lb-bushel

	Close	High	Low	Prev
Dec	246.6	247.0	242.4	242.2
March	247.0	248.0	243.4	244.0
May	250.2	251.2	247.2	247.5
July	249.0	251.0	247.2	247.5
Sept	238.2	236.4	234.4	235.6
Dec	229.0	230.0	227.0	229.2
March	236.0	236.0	234.0	236.0

PORK BELLIES 38,000 lb. cents/lb

	Close	High	Low	Prev
Feb	67.07	67.40	65.20	66.42
March	66.60	66.95	64.90	66.05
May	67.10	67.60	65.00	67.10
July	67.17	67.40	66.00	67.10
August	64.90	66.05	63.60	64.60

SOYABEANS 5,000 bu min, cents/60lb-bushel

	Close	High	Low	Prev
Jan	525.0	526.4	516.0	513.6
March	536.2	537.8	527.4	524.2
May	547.6	548.4	537.0	534.4
July	552.4	554.4	542.0	540.4
August	550.0	551.0	544.4	538.0
Sept	528.0	528.0	523.8	517.0
Nov	524.4	525.0	516.4	516.2
Jan	533.4	534.4	528.4	525.4
March	545.0	545.0	539.5	538.0

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
Dec	143.2	144.2	142.1	142.7
Jan	143.6	144.4	142.7	142.9
March	146.2	146.2	144.8	144.4
May	146.8	147.0	146.0	145.8
July	147.7	148.0	147.3	146.5
August	148.2	148.5	147.0	147.0
Sept	144.0	144.0	143.0	143.0
Oct	139.5	140.0	139.0	139.1
Dec	141.5	141.5	140.0	140.5
Jan	140.8	—	—	139.8

SOYABEAN OIL 60,000 lb. cents/lb

	Close	High	Low	Prev
Dec	21.60	21.60	20.80	20.59
Jan	21.67	21.67	20.75	20.87
March	22.07	22.07	21.38	21.07
May	22.37	22.40	21.55	21.40
July	22.50	22.66	21.60	21.45
August	22.40	22.56	21.75	21.58
Sept	22.00	22.05	21.60	21.50
Oct	21.95	21.95	21.60	21.50
Dec	21.75	21.75	21.35	21.52
Jan	21.70	21.70	21.50	21.52

WHEAT 5,000 bu min. cents/60lb-bushel

	Close	High	Low	Prev
Dec	347.0	348.4	343.4	346.4
March	345.2	348.0	341.4	345.5
May	321.4	328.2	320.4	324.2
July	289.2	297.6	288.4	295.5
Sept	289.0	296.9	289.0	296.0
Dec	301.0	308.0	300.0	307.0

The market opened 50p easier in mixed trade, reports T. G. Roddick. Prices steadied on commission house buying late in the day and closed steady.

OIL

Calmer conditions in the paper crude markets enabled refiners to come out to buy, reducing the overhang of December cargoes further. Middle East grades held around Wednesday's levels while on the Nymex January WTI was trading 52c up by 1.30 pm EST. In the petroleum products market gas oil prices firmed in response to bullish futures in thin trade. Naphtha also rallied in response to firmer crude and futures prices. Gasoline and heavy fuel were weaker—Petroleum Argus, London.

SPOT PRICES

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)—Jan.		
Arab Light	—	—
Arab Heavy	—	—
Dubai	26.45-26.65	-1.00
Brent Blend	26.20-26.25	+0.20
W.T.I. (1pm est)	27.15-27.20	+0.825
Forcados (Nigeria)	26.80-27.10*	+0.80
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	250-264	-1.5
Gas Oil	238-241	+3.5
Heavy fuel oil	132-135	-1.5
Naphtha	234-238	+7

*December

Petroleum Argus estimates

GAS OIL FUTURES

Month	Yest'day's Close	+ or —	Business Done
	$ U.S. per tonne		
Jan	239.25	+5.25	242.75-231.00
Feb	234.00	+2.25	237.50-227.00
Mar	220.00	+3.50	221.50-218.00
Apr	215.50	+2.00	217.00-213.00
May	209.00	+3.25	213.00-207.00
June	207.00	+2.25	210.00-207.00
July	209.00	+3.00	210.00-206.00
Aug	209.00	+3.00	210.00-207.50

Turnover: 4,102 (8,906) lots of 100 tonnes.

CRUDE OIL FUTURES—Brent Blend index. $ a barrel. (Close, change, business done): Index 24.69, —0.12. Jan 26.05-26.10, +0.575, 26.40-25.60. Feb 25.25-25.55, +0.425, 25.75-25.25. March 24.80-25.00, —0.15, 24.60. April 24.10-24.80, +0.95, 24.05. May 23.20-24.60, +0.90, 23.40.

Turnover: 117 (2) lots of 1,000 barrels.

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CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar falls in nervous trading

The dollar relinquished all of its recent gains in currency markets yesterday amid fears of further central bank intervention and renewed hopes of an early reduction in the US discount rate. Trading was relatively thin ahead of Christmas, meaning that only modest volume could lead to an exaggerated trend.

This was partly the case yesterday, for although central banks remained on the sidelines, the very threat of central bank intervention was enough to keep most people out of the market. Following Wednesday's intervention by the West German Bundesbank and the Bank of England, the US Federal Reserve had acted to add reserves to the domestic money market. This appeared to have a two-fold effect by reducing interest rates and increasing speculation over the possibility of an early cut in the discount rate. Both of these served very efficiently to bring about and end to the dollar's recent rise.

The US unit closed at DM 2.5140 down from DM 2.5425 on Wednesday and only 30 points above the 2½ year low of DM 2.5110 touched on November 29. News of a 1.1 per cent rise in US retail sales in November was offset by a downward revision in the October figure to a record fall of 4.2 per cent. With the dollar's underlying weakness once again coming to the fore, dealers were expecting another attempt to establish the dollar below DM 2.50. Elsewhere it closed at Y202.05 from Y203.80, SFr 2.1015 from SFr 2.1286 and FFr 7.6825 compared with FFr 7.7575. On Bank of England figures, the dollar's exchange rate index fell from 127.9 to 126.9.

Sterling recovered in line with firmer oil prices and Government assurances that interest rates would remain high for as long as necessary to control any inflationary trends. The dollar's decline was also an added advantage but sterling remained very nervous and extremely vulnerable in thin trading. Hopes of a more stable oil price structure helped to avoid a situation which some dealers had feared would lead to another sharp fall in sterling.

The pound's exchange rate index closed at 78.6 up from an opening level of 78.0 and Wednesday's close of 77.9. Against the dollar it rose to $1.4390-1.4400, a rise of 2.45 cents. It was also higher against the D-mark at DM 3.6200 from DM 3.5975 and Y290.75 from Y288.50. Against the Swiss franc it improved to SFr 3.0250 from SFr 3.0125 and FFr 11.0600 compared with FFr 10.9775.

D-MARK — Trading range against the dollar in 1985 is 3.4518 to 2.5110. November average 2.5926. Exchange rate index 130.1 against 124.1 six months ago.

The D-mark improved against the dollar in Frankfurt yesterday, mainly as a result of position squaring in the face of further threatened central bank intervention. The dollar slipped to DM 2.5195 from DM 2.54, having been fixed earlier in the day at DM 2.5234 from DM 2.5468 without Bundesbank intervention.

£ IN NEW YORK

	Dec. 12	Prev. close
£ Spot	$1.4360-1.4360	$1.4165-1.4175
1 month	0.44-0.41pm	0.43-0.41pm
3 months	1.29-1.25pm	1.28-1.25pm
12 months	4.40-4.30pm	4.40-4.30pm

Forward premiums and discounts apply to the U.S. dollar.

POUND SPOT—FORWARD AGAINST POUND

Dec 12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4165-1.4415	1.4390-1.4400	5.44-0.41c pm	2.54	1.28-1.24pm	2.50
Canada	1.9786-2.0006	1.9950-1.9980	0.47-0.38c pm	2.56	1.29-1.13pm	2.42
Nethlnd.	4.04-4.08	4.06½-4.07½	2⅛-1⅞c pm	5.89	5⅞-5⅝pm	5.65
Belgium	73.17-73.94	73.80-73.90	18-11c pm	2.38	81-41pm	2.48
Denmark	13.00¼-13.13½	13.11¼-13.12¼	2⅝-1⅞ore pm	2.12	8⅛-7⅛pm	2.36
Ireland	1.1921-1.1737	1.1716-1.1726	5.22-0.09p pm	1.59	5.54-0.20pm	1.26
W. Ger.	2.3100-2.5286	2.5135-2.5145	2⅛-2pf pm	7.04	6⅛-5⅞pm	5.63
Portugal	228-235	230½-232	140-435c dis	-14.92	430-1220dis	-14.27
Spain	222¼-225½	225-226½	26-105c dis	-3.48	190-285dis	-4.22
Italy	2,447½-2,474¼	2,464½-2,465½	18-24 lire dis	-10.22	32-39dis	-3.76
Norway	10.92¾-11.07½	11.04¾-11.05¾	⅜-1⅛c dis	-1.02	1⅛-2⅜dis	-0.76
France	15.95½-11.08¼	11.05½-11.06½	1⅛c pm-½ dis	-0.95	par-2⅛dis	-0.47
Sweden	10.96½-11.09	11.06¼-11.07¼	½-1⅛c dis	-5.95	1½-2⅛dis	-0.66
Japan	288½-291¼	290½-291½	0.90-0.80y pm	3.15	2.70-2.50pm	2.58
Austria	25.27-25.47	25.44-25.47	10⅛-9gro pm	4.63	34-28⅛pm	5.01
Switz.	3.00½-3.03¼	3.02-3.03	2-1⅛c pm	7.44	5⅞-5⅜pm	7.27

Belgian rate is for convertible francs. Financial franc 74.50-74.60. Six-month forward dollar 2.50-2.45c pm. 12-month 4.35-4.25c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Dec 12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4165-1.4415	1.4390-1.4400	5.44-0.41c pm	2.54	1.28-1.24pm	3.90
Ireland†	1.2175-1.2283	1.2273-1.2283	5.25-0.15c pm	1.96	0.85-0.56pm	2.29
Canada	1.3889-1.3895	1.3869-1.3874	0.10-0.13c dis	-0.99	5.24-0.41dis	-1.09
Nethlnd.	2.8280-2.8545	2.8280-2.8290	0.59-0.50c pm	2.16	1.47-1.43pm	2.02
Belgium	51.25-51.64	51.25-51.35	1-2½c dis	-0.41	4-7dis	-5.43
Denmark	3.11-9.15	9.11-9.11½	⅜-1⅝ore dis	-1.16	1⅞-2⅜dis	-0.93
W. Ger.	2.5100-2.5286	2./135-2.6145	5.75-0.70pf pm	3.45	2.06-2.03pm	3.28
Portugal	160-101½	160-181	150-350c dis	-18.66	450-1000dis	-18.04
Spain	155.90-156.55	156.25-156.35	60-120c dis	-6.90	250-325dis	-7.35
Italy	1,712-1,725½	1,712-1,713	15-10 lire dis	-11.48	35-39dis	-8.58
Norway	7.65¾-7.69¾	7.67½-7.68	2½-3ore dis	-4.30	8-8½dis	-4.30
France	7.68-7.71½	7.68-7.58½	2-3c dis	-3.89	8½-10dis	-4.80
Sweden	7.68½-7.72	7.68½-7.69	3-3½ore dis	-4.96	8¼-8⅞dis	-4.41
Japan	201.75-202.75	202.00-202.10	0.06-0.09y dis	-0.44	0.05-0.01pm	0.08
Austria	17.66-17.77	17.68-17.70	2-1⅛gro pm	1.10	7-4⅞pm	1.29
Switz.	2.0896-2.1120	2.1010-2.1020	0.70-0.65c pm	3.83	2.03-1.98pm	3.80

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 51.75-51.85.

EXCHANGE CROSS RATES

Dec 15	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.440	3.620	290.8	11.06	3.025	4.073	2465.	1.997	73.85
$	0.695	1.	2.514	202.1	7.685	2.102	2.828	1713.	1.387	51.30
DM	0.276	0.398	1.	80.32	3.055	0.836	1.125	680.8	0.552	20.40
YEN	3.439	4.951	12.45	1000.	38.04	10.40	14.01	8478.	6.867	254.0
F Fr.	0.904	1.30e	3.276	952.9	10.	2.735	3.682	2229.	1.805	66.77
S Fr.	0.331	0.478	1.197	98.18	3.655	1.	1.346	814.9	0.660	24.41
H Fl.	0.248	5.303	0.889	71.39	8.716	5.743	1.	605.3	5.490	18.13
Lira	0.406	0.584	1.400	118.0	4.487	1.227	1.659	1000.	0.810	29.96
C $	5.551	0.721	1.813	145.6	5.540	1.016	8.040	1235.	1.	36.99
B Fr.	1.354	1.940	4.908	393.7	14.98	4.090	5.010	3338.	5.703	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

EURO-CURRENCY INTEREST RATES

Dec. 19	Short term	7 Days notice	1 Month	Three Months	Six Months	One Year
Sterling	11⅝-11⅞	11⅝-11⅞	11⅝-11¾	11⅝-11¾	11 11/16-11¾	11⅝-11⅝
U.S. Dollar	7½-7⅝	7⅞-8⅛	7⅞-8	7⅞-8	7⅞-8	8-8⅛
Can Dollar	8⅝-8⅞	8⅝-8⅞	8¾-9	0-0¼	8-0¼	0-8¼
D Guilder	5⅝-0⅞	5⅝-5⅞	5¾-5⅞	5½-8½	0⅞-6	0⅞-0
Sw. Franc	1⅛-1⅞	1⅛-1⅞	4⅝-4½	4 7/16-4 9/16	4 7/16-4 9/16	4⅛-4¼
Deutschmrk.	4⅝-4½	4 7/16-4 9/16	4⅜-4½	4⅜-4½	4 7/16-4 9/16	4⅞-5
Fr. Franc	8⅛-8	0-8⅛	11¼-11⅛	12¼-12⅛	19⅛-12⅛	11⅛-11¾
Italian Lira	11-14	18-24	18½-21	15⅛-17¾	15¾-10⅛	13-15¾
B.Fr.(Fin)	7¼-8	8-8¼	8⅛-8¾	8⅜-8⅝	8⅜-8⅝	8⅜-8⅝
B.Fr.(Con)	7¾-8	8-8¼	8¾-9⅛	8⅞-9	8⅛-8⅞	8⅜-8¼
Yen	8⅛-8⅛	8 1/16-8 3/16	8⅛-8⅛	7⅞-8	7⅜-7½	7⅛-7⅛
D. Krone	8½-15	0¼-9¾	0⅛-9⅝	9-0½	8⅞-9⅜	9-9½
Asian $ (Sng)	7⅞-8	8-8⅛	8 1/16-8 3/16	7½-8⅛	7⅞-8⅛	8-8⅛

Long-term Eurodollars: two years 8 13/16-8 15/16 per cent; three years 9-9¼ per cent; four years 9⅛-9½ per cent; five years 9⅜-9⅝ per cent nominal. Short-term rates are call for US dollars and Japanese yen; others two days' notice.

CURRENCY MOVEMENTS

Dec. 15	Bank of England Index	Morgan Guaranty Change %
Sterling	78.6	-12.0
U.S. dollar	130.0	+15.0
Canadian dollar	81.7	-10.7
Austrian schilling	120.8	+5.6
Belgian franc	52.4	-0.5
Danish Kroner	83.3	-0.0
Deutsche mark	130.1	+11.8
Swiss franc	151.0	+12.6
Guilder	125.9	+0.7
French franc	69.7	-11.7
Lira	44.7	-10.8
Yen	177.8	+99.7

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

Dec. 12	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.758377	0.606758
U.S.$	7½	1.08815	5.868878
Canadian $	0.93	*	1.20731
Austria Sch.	4	10.5153	10.4220
Belgian Fr.	8¾	56.0436	44.7472
Danish Kr	7	N/A	7.94670
D mark	4	2.74576	2.19305
Guilder	5	3.09510	2.46935
French Fr	9⅛	8.39049	6.09905
Lira	15½	N/A	1496.51
Yen	5	220.888	173.991
Norway Kr.	8	8.35404	5.68297
Span'h Pta.	—	170.182	135.036
Swedish Kr.	15½	8.38124	5.70120
Swiss Fr.	4	2.29833	1.83481
Greek Dr'ch	20½	153.653	130.770
Irish Punt	—	N/A	0.710448

* C$/SDR rate for December 11 1.50939

OTHER CURRENCIES

Dec. 12	£	$
Arg'tina	1.1476-1.1503	0.8000-0.8010
Aus'lia	2.0960-2.1000	1.4595-1.4610
Brazil	13.983-14.072	9.755-0.805
Finland	7.9020-7.9100	5.4990-5.5015
Greece	211.96-216.46	148.84-101.03
H'kong	11.225-11.235	7.8050-7.8070
Iran	121.00*	85.00*
Kuwait	0.4185-0.4190	0.29180-0.29110
Lux'burg	73.80-75.90	51.75-51.85
Malay'sia	3.4900-3.5000	2.4280-2.4300
N'Z'land	2.0700-2.6860	1.8640-1.8675
Saudi Ar.	5.2470-5.2525	3.6507-3.6511
Sin'pore	3.0300-3.0600	0.1215-9.1030
S.Af.(Cm)	3.7830-3.8030	2.6310-2.6455
S.Af.(Fn)	4.7005-4.0150	3.3060-3.4190
U.A.E	5.0765-0.2850	3.6750-3.0740

* Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu December 12	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.8320	44.7472	-0.19	+1.14	±1.5425
Danish Krone	8.12857	7.94675	-2.24	-5.31	±1.6421
German D-mark	2.23840	2.19305	-2.03	-0.70	±1.1455
French Franc	6.88402	6.69905	-2.40	-1.07	±1.3654
Dutch Guilder	2.52208	2.46935	-2.09	-0.76	±1.3162
Irish Punt	0.724578	0.710448	-1.95	-0.62	±1.6673
Italian Lira	1520.60	1496.21	-1.60	-1.24	±4.0856

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

FUTURES AND OPTIONS

Sharp rise

Dollar and sterling denominated interest rate contracts closed at or near the day's highs on the London International Financial Futures Exchange, encouraged by mounting expectations of an imminent cut in the Federal Reserve's discount rate, and the sharp recovery of the pound on the foreign exchanges. The systems repurchases, adding liquidity to the banking system by the Fed on Wednesday, were regarded as a strong indication of easier monetary policy. Dealers commented that progress through Congress of the Gramm-Rudman Bill to eliminate the US budget deficit by 1991, and the expected early signature of the Bill by President Reagan, had led to speculation that a major hurdle in the path of the cutting of the discount rate was about to be cleared. March US Treasury bonds opened strong at 83-05, and rose to a contract high of 83-14, before closing at 83-10, compared with 82-21 previously.

Eurodollars for March delivery began at 92.29, and drifted down to a low of 92.21, before finishing near the day's peak at 92.32, against 92.10 on Wednesday, boosted by falling US interest rates, and the comment by Mr Paul Volcker, chairman of the Federal Reserve Board, about the progress made in cutting the Federal budget deficit.

March delivery long term gilt futures showed strong recovery, as the pound rose sharply on the foreign exchanges. US bonds remained very buoyant, and hopes rose of lower US interest rates. The contract opened at 111-05, the day's low, and touched a high of 112-03. It closed at 112-00, compared with the previous settlement of 110-20.

Three-month sterling deposits were also much stronger, opening at 88.51 for March delivery and falling to an early low of 88.43, before rising sharply to close at the day's peak of 88.63, against 88.39 on Wednesday.

STERLING INDEX

	Dec 12	Previous
8.30 am	78.0	78.9
9.00 am	78.1	79.0
10.00 am	78.3	78.9
11.00 am	78.6	78.8
Noon	78.6	78.8
1.00 pm	78.5	78.4
2.00 pm	78.6	77.7
3.00 pm	78.6	78.1
4.00 pm	78.6	77.9

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4385	1.4353	1.4289	1.4148	1.3965

IMM—STERLING $e per £

	Latest	High	Low	Prev
Dec	1.4380	1.4385	1.4285	1.4190
March	1.4256	1.4285	1.4170	1.4065
June	1.4150	1.4150	1.4075	1.3945
Sept	1.3835	—	1.3835	1.3840
Dec	[illegible]	[illegible]	[illegible]	1.3785

LIFFE—STERLING £25,000 $e per £

	Close	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	1.4005
June	[illegible]	[illegible]	[illegible]	1.3885
Sept	[illegible]	[illegible]	[illegible]	1.3795
Dec	[illegible]	[illegible]	[illegible]	1.4130

Estimated volume [illegible]
Previous day's open int [illegible]

LIFFE—DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	0.3964
June	[illegible]	[illegible]	[illegible]	0.3996

Estimated volume [illegible]
Previous day's open int [illegible]

LONDON

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
Dec	111-25	—	—	110-12
March	112-00	112-03	111-06	110-20
June	112-10	112-10	111-23	110-29
Sept	112-18	—	—	109-20

Estimated volume 5,586 (5,444)
Previous day's open int 4,823 (5,186)
Basis quote (clean cash price of 13½% Treasury 2004-08 less equivalent price of near futures contract) -4 to +8 (32nds).

10% NOTIONAL SHORT GILT £100,000 64ths of 100%

	Close	High	Low	Prev
Dec	96-47	—	—	96-19
March	96-58	96-60	96-42	96-30

Estimated volume 272 (747)
Previous day's open int 878 (825)

THREE-MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev
Dec	88.25	88.26	88.10	88.08
March	88.63	88.63	88.43	88.39
June	89.02	89.03	88.90	88.81
Sept	89.25	89.22	89.12	89.02
Dec	89.23	89.13	89.13	89.00

Estimated volume 3,621 (5,863)
Previous day's open int 7,505 (7,657)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
Dec	138.95	140.00	138.90	136.65
March	140.55	141.50	140.40	140.20

Estimated volume 321 (606)
Previous day's open int 2,812 (2,762)

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
Dec	92.08	92.08	92.01	91.90
March	92.32	92.35	92.21	92.15
June	92.16	92.19	92.11	91.95
Sept	91.91	91.90	91.83	91.70
Dec	91.62	91.55	91.55	91.41

Estimated volume 5,796 (4,438)
Previous day's open int 21,159 (21,413)

US TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Dec	84-15	84-19	84-05	83-27
March	83-15	83-14	82-24	82-21
June	82-06	—	—	81-18

Estimated volume 4,002 (4,141)
Previous day's open int 3,356 (3,368)

LIFFE—EURODOLLAR OPTIONS $1m points of 100%

Strike price	Calls—Last Dec	March	June	Vol	Puts—Last Dec	March	June	Vol
90.00	2.08	2.32	2.20	—	0.00	0.00	0.02	—
90.50	1.58	1.92	1.72	—	0.00	0.00	0.04	—
91.00	1.08	1.33	1.27	—	5.00	0.01	0.09	—
21.50	0.58	0.86	0.86	3	0.00	0.04	0.18	—
92.00	0.11	0.45	0.52	51	0.03	5.13	5.34	125
92.50	5.00	5.19	5.27	283	0.42	5.36	0.59	175
93.00	0.00	0.04	5.11	—	5.52	5.72	5.93	—

Previous day's open int. Calls 2,924, Puts 3,281

LIFFE US OPTIONS £25,000 (cents per £1)

[illegible]

LONDON SE £/$ OPTIONS £12,500 (cents per £1)

[illegible]

PHILADELPHIA SE £/$ OPTIONS £12,500 (cents per £1)

[illegible]

CHICAGO

US TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Dec	84-17	84-17	84-02	84-11
March	83-08	83-10	82-27	83-06
June	82-02	82-05	81-23	81-31
Sept	81-02	81-04	80-22	80-29
Dec	80-03	80-04	79-23	79-30
March	79-08	79-09	79-01	79-03
June	78-15	78-17	78-08	78-11
Sept	—	—	—	—
Dec	77-09	77-10	77-03	77-04
March	76-23	—	—	76-21

US TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
Dec	92.01	93.01	92.95	92.97
March	93.29	93.30	93.23	93.26
June	93.18	93.18	93.12	93.14
Sept	92.91	92.91	92.87	92.89
Dec	92.63	92.93	92.56	92.58
March	92.34	92.34	92.30	92.31
June	92.09	92.09	92.05	92.06
Sept	91.83	91.83	91.78	91.80

CERT DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
Dec	92.33	92.33	92.28	92.30
March	92.63	92.63	92.60	92.64
June	92.43	92.43	92.43	92.46
Sept	—	—	—	92.17

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
Dec	92.07	92.07	92.01	92.04
March	92.32	92.33	92.24	92.31
June	92.16	92.18	92.08	92.14
Sept	91.89	91.90	91.80	91.86
Dec	91.58	91.58	91.52	91.55
March	91.28	91.28	91.23	91.26
June	91.00	91.00	90.96	90.98
Sept	90.73	90.73	90.70	90.71

MONEY MARKETS

London rates ease on stronger pound

Interest rates eased slightly on the London money market yesterday, with three-month interbank falling to 11 13/16-11 15/16 per cent from 11⅞-11⅞ per cent. Discount houses buying rates for three-month bank bills were unchanged at 11 9/16 per cent. The recovery of sterling helped sentiment, but Wednesday's speech by the Prime Minister, pledging to maintain the fight against inflation, if necessary through a period of high London interest rates, had no impact.

The Bank of England forecast a market shortage of £450m in the morning, but changed this to £550m at noon, and provided total help on the day of £594m.

Before lunch the authorities bought £408m bills outright, by way of £5m bank bills in band 2 at 11 9/16 per cent; £120m bank bills in band 3 at 11½ per cent; and £283m bank bills in band 4 at 11 7/16 per cent.

In the afternoon another £101m bills were purchased, through £85m bank bills in band 2 at 11⅝ per cent, and £16m Treasury bills in band 4 at 11 7/16 per cent.

Late assistance of £85m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £349m, with the unwinding of repurchase agreements absorbing £609m, a rise in the note circulation £70m, and bank balances below target another £90m.

These outweighed Exchequer transactions adding £665m to liquidity.

In New York the Federal Reserve added reserves of $1.5bn to the banking system through customer repurchase agreements when Federal funds were trading at 7⅞ per cent. This was generally expected, but after Wednesday's injection of liquidity encouraged hopes of an early cut in the US discount rate.

In Frankfurt call money fell to 4.35 per cent from 4.50 per cent, as the market was well supplied with liquidity after DM 11.7bn from a new securities repurchase agreement was credited to the money market on Wednesday, compared with a maturing agreement of DM 8.9bn.

Seasonal tax payments are not expected to tighten conditions until next week, as well as old age pension payments, and demand for cash ahead of Christmas.

In Paris the Bank of France left its money market intervention rate at 8¾ per cent when injecting liquidity through purchases of first category paper. The rate was cut from 8⅞ per cent on November 15.

UK clearing banks base lending rate 11½ per cent since July 30

NEW YORK RATES

(Lunchtime)

Prime rate	9½
Broker loan rate	8
Fed funds	7⅞
Fed funds at intervention	7⅞
Treasury Bills & Bonds	
One month	8.18
Two month	7.13
Three month	7.25
Six month	7.38
One year	7.54
Two year	7.94
Three year	8.23
Four year	8.49
Five year	8.67
Seven year	5.03
10 year	8.21
30 year	8.52

MONEY RATES

Dec. 12	Ov'r-nig't	One Month	Two Months	Three Months	Six Months	Lombard Int'v'ntion
Frankfurt	4.3-4.4	4.75-4.90	4.75-4.95	4.75-4.85	4.75-4.90	5.5
Paris	8⅛	8 7/16-8⅝	8 9/16-8⅜	8 11/16-8 13/16	8 13/16-9 1/16	8¾
Zurich	7⅜-1⅛	4¼-4⅛	—	4⅜-4⅝	—	—
Amsterdam	6.46870	8.37500	—	7.90625	—	—
Tokyo	—	—	—	—	—	—
Milan	14⅝-10	10⅛-15⅛	—	14⅝-15	—	—
Brussels	4.85	8⅝-8¾	—	8⅝-8¾	—	—
Dublin	—	10-15¼	15 1/16-15 3/16	10 1/16-10 3/16	15 1/16-10 3/16	—

FT LONDON INTERBANK FIXING

(11.00 a.m. Dec. 12)

Three months U.S. dollars		Six months U.S. dollars	
bid 7 15/16	offer 8 1/16	bid 7 15/16	offer 8 1/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

Dec. 12	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	11¼-15	11¼-11½	11⅝-11¾	11 13/16-11 15/16	11 13/16-11 15/16	11 11/16-11 13/16
Sterling CDs	—	—	11⅝-11½	11 11/16-11 9/16	11½-11⅝	11⅝-11½
Local Authority Depos	11-11¼	11¼-11⅝	11 11/16	11 11/16	11 9/16	11½
Local Author'y Bonds	—	—	12 1/16	12⅛	10	11¾
Discount Mkt Depos.	9-11½	11¼-11⅝	11½	11¼	—	—
Company Depos	10½-11¼	11⅝	11⅞	11⅞	—	—
Finance Hse Depos	—	—	11	11	11	11⅛
Treasury Bills (Buy)	—	—	11	11	—	—
Bank Bills (Buy)	—	—	11	11	11	—
Fine Trade Bills (Buy)	—	—	11	11	11	—
Dollar CDs	—	—	7.85-7.05	7.80-7.90	7.80-7.95	7.95-8.05
SDR Linked Depos	—	—	8⅛-8	8-8¼	8-8¼	7⅞-8⅛
ECU Depos	—	—	9⅛-5¼	8⅛-9	0⅛-0	8⅛-0

Treasury Bills (sell): one-month 11⅛ per cent; three-month 11⅛ per cent. Bank Bills (sell): one-month 11⅜ per cent; three-month 11⅛ per cent. Treasury Bills: Average tender rate at discount 11.1095 per cent. ECGD Fixed Finance Scheme IV reference rate November 0 to December 3 (inclusive): 11.612 per cent. Local authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12 per cent from December 1, 1985. Bank Deposit Rates for sums at seven days' notice 6.25-6.625 per cent (net). Certificates of Tax Deposit (Series 6): Deposits £100,000 and over held under one month 11⅞ per cent; one-three months 11⅞ per cent; three-six months 11⅞ per cent; six-nine months 11⅞ per cent; nine-12 months 11⅞ per cent. Under £100,000 10¾ per cent from December 12. Deposits held under Series 5 11⅛ per cent. Deposits withdrawn for cash 7½ per cent.

LHW Futures Limited

are pleased to announce the appointment of

BRIAN DURRANT

(formerly of L. Messel & Co.)

as Chief Economist in its expanding Research Department

LHW FUTURES LIMITED

3/4/5 WARDROBE PLACE, LONDON EC4V 5AH.
TELEPHONE: 01-248 8121.

Company Notices

AFRICAN AND EUROPEAN INVESTMENT COMPANY LIMITED
(Incorporated in the Republic of South Africa)
Registration No. 01/02154/06

NOTICE TO HOLDERS OF PREFERENCE STOCK WARRANTS TO BEARER

PAYMENT OF COUPON No. 76

With reference to the declaration of dividend announced on 3rd December, 1985, the following information is published for the guidance of holders of stock warrants to bearer.

The dividend of 3 cents per unit of stock was declared in South African currency. South African non-resident shareholders' tax at 0.45 cents per unit of stock will be deducted from the dividend payable in respect of all stock warrant coupons leaving a net dividend of 2.55 cents per unit of stock.

The dividend on bearer stock will be paid on or after 17th February, 1986 against surrender of coupon No. 76 detached from the stock warrants to bearer as under:

(a) At the office of the following continental paying agent:
Crédit du Nord,
6-8 Boulevard Haussmann,
75009 Paris.
In respect of coupons lodged at the office of the continental paying agent the dividend payment will be made in South African currency to an authorised dealer in exchange in the Republic of South Africa nominated by the continental paying agent. Instructions regarding disposal of the proceeds of the payment so made must be given to such authorised dealer by the continental paying agent concerned.

(b) At the Securities Department of Hill Samuel & Co. Limited, 45 Beech Street, London, EC2P 2LX. Unless persons depositing coupons at such office request payment in rand to an address in the Republic of South Africa, payment will be made in United Kingdom currency either:
(i) in respect of coupons lodged on or prior to 7th February, 1986 at the United Kingdom currency equivalent of the rand currency value of their dividend on 23rd December, 1985, or
(ii) in respect of coupons lodged after 8th February, 1986 at the prevailing rate of exchange on the day the proceeds are remitted, through an authorised dealer in exchange in Johannesburg to the Securities Department of Hill Samuel & Co. Limited.

Coupons must be left for at least four clear days for examination and may be presented any weekday (Saturday excepted) between the hours of 10 a.m. and 3 p.m.

United Kingdom income tax will be deducted from payments to any person in the United Kingdom in respect of coupons deposited at the Securities Department of Hill Samuel & Co. Limited, unless such coupons are accompanied by Inland Revenue non-residence declaration forms. Where such deduction is made, the net amount of the dividend will be the United Kingdom currency equivalent of 2.1 cents per unit of stock in terms of sub-paragraph (b) above arrived at as follows:

	South African Currency Cents per Unit of Stock
Amount of dividend declared	3.00
Less: South African Non-Resident Shareholders' tax at 15%	0.45
	2.55
Less U.K. income tax at 15% of the gross amount of the dividend of 3 cents	0.45
	2.10

For and on behalf of
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
London Secretaries
J. C. Greensmith

London Office:
40 Holborn Viaduct,
London EC1P 1AJ.
12th December 1985

NOTE:
The Company has been requested by the Commissioners of Inland Revenue to state:
Under the double tax agreement between the United Kingdom and the Republic of South Africa, the South African non-resident shareholders' tax applicable to the dividend is allowable as a credit against the United Kingdom tax payable in respect of the dividend. The deduction of tax at the reduced rate of 15% instead of at the basic rate of 30% represents an allowance of credit at the rate of 15%.

AAC

$ WORLD VALUE OF THE DOLLAR

BANK OF AMERICA NT & SA, ECONOMICS DEPARTMENT, LONDON

The table below gives the rates of exchange for the US dollar against various currencies as of Wednesday, December 11 1985. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one US dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

Bank of America, Economics Dept., E.M.E.A. London
Eurodollar Libor as of December 11 at 11.00 a.m.
3 month: 8⅛ 6 month: 8⅛

ECU=$US.861952 SDR1=US1.08391
Sibor as of December 11 at 11.00 a.m.
3 months: 8 1/16 6 months: 8 1/16

COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (o)	50.60	Granada	E. Caribbean $	2.70	Paraguay	Guarani (o e.)	940.00
Albania	Lek	7.0759	Guadaloupe	Franc	7.7795		Guarani (d)	642.00
Algeria	Dinar	4.827	Guam	U.S. $	1.00	Peru	Sol (o) (2)	13942.
Andorra	Fr. Franc	7.7755	Guatemala	Quetzal (o)	1.00	Philippines	Peso	18.84
	Sp. Peseta	157.35		Quetzal (h, l)	2.770	Pitcairn Is.	N.Z. Dollar	1.8125
Angola	Kwanza	99.018	Guinea Bissau	Peso	170.479	Poland	Zloty (o)	150.14
Antigua	E. Caribbean $	2.75	Guinea Rep	Syli	22.7743	Portugal	Escudo	101.50
Argentina	Austral	0.801	Guyana	Dollar	4.12	Puerto Rico	U.S. Dollar	1.00
Australia	Dollar	1.4646	Haiti	Gourde	5.00	Qatar	Riyal	3.641
Austria	Schilling	17.91	Honduras Rep.	Lempira	2.00	Reunion, Il de la	Fr. Franc	7.7780
Azores	Port. Escudo	161.60		Lempira (d)	2.525	Romania	Leu (o)	4.51
Bahamas	Dollar	1.00	Hong Kong	Dollar	7.8073		Leu (c)	19.42
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

International Financier
DAIWA
SECURITIES

LONDON SHARE SERVICE

BRITISH FUNDS

1985 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
101	99	Exch. 11¼pc '86	99	-	11.76	11.65
99	96¼	Treas. 10pcCnv 1986	99	+	10.05	11.53
96	92¼	Treas 3pc 1986	96	+	3.10	10.61
100	97½	Exch. 10½pc 1986	99	+	10.55	11.59
101	99¼	Treas 12pc 1986	100	+	11.98	11.63
98	94¼	Treas 8½pc 1984-86‡‡	98½xd	+	8.63	11.54
105	101	Exch 14pc 1986	101	+	13.73	11.53
94	87¼	Exch. 2½pc 1986	94¼	.....	2.64	8.41
104	101	Exch. 13¼pc 1987	101	+	11.05	11.57
99	96	Treas 10¼pcCv '87	98	+	10.39	11.44
93	85	Exch 2½pc 1987	92	+	2.69	0.91
100	96¼	Exch. 10½pc 1987	99	+	10.60	11.24
95	89	Funding 6½pc '85-87‡‡	94	+	6.87	10.78
99	95½	Treas 10pc 1987	98¼	+	10.18	11.31
91	84¼	Treas 3pc 1987	91xd	+	3.28	8.99
102	99	Treas. 12pc 1987	101	+	11.86	11.25
95	90¼	Treas 7¾pc 1985-88‡‡	93¼	+	8.27	11.09
100	95	Exch 10½pc '88	98	+	10.64	11.14
98	93¼	Treas 9¼pc Cv '88	96xd	+	10.07	11.25
87	80	Transport 3pc '78-88	87xd	+	3.44	0.67
97	91½	Treas. 9½pc '88	95	+	9.92	11.23
102	97½	Treas 11½pc 1989	100	+	11.41	11.14
97	90¼	Treas 9½pc Cnv. '89	95	+	9.95	11.20
84	79	Treas 3pc 1989	83		3.58	8.56
99	99	Treas 10½pc 1989	98xd	+	10.69	11.15
98	92	Exch 10pc 1989	96½	+	10.36	11.18
101	95	Exch 11pc 1989	99	+	11.04	11.10
86	79	Treas 5pc 1986-89	85	-	8.84	9.53
40	39	Exch 10¼pcCv '89 (£40pd)	39	+	10.44	10.83
108	103¼	Treas 13pc 1990‡‡	106xd	+	12.21	11.03
101	96	Exch 11pc 1990‡‡	99	+	11.02	11.02
108	100¼	Exch 12½pc 1990	104	+	11.93	11.05
81	75½	Treas. 3pc 1990	80	+	3.71	8.27
			91½xd	+	9.02	10.61

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont.

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

هكذا من الأصل

INDUSTRIALS—Continued

1985 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
240	146	McCarthy Ph. 20p	240		8.2	2.0	4.9	14.8
150	87½	Macfarlane Gp	123		†d2.16	3.1	2.5	17.3
47	34	Macleflan (P & W) 20p	41		†1.7	2.3	5.9	8.5
88	46	Magnolia Group	83	–5	2.6	1.8	4.5	10.1
60	29	Mammet Hldgs 10p	56		—	—	—	91.4
515	202	Man. Ship Can. £1	503	+4	5.5	3.5	1.6	26.4
123	70	Marley	113	–1	3.75	2.2	4.7	13.7
107	52	Marling Ind. 10p	90		†d1.5	5.4	2.4	11.4
82	36	Marshall L'ey 'A'	72	+2	12.4	4.9	4.8	5.2
77	55	Marshall's Universal	68		†2.0	1.4	4.2	(21.6)
89	78	Do. 7½pcCnRedPf £1	86	+1	7½%	—	12.5	—
£110	£81	Mathesons 7¼%	£110		Q7¼%	2.3	†7.2	—
35	15	Maxtronn 1p	29		—	—	—	—
551	375	Metal Box £1	510		17.25	3.0	4.8	8.1
170	110	Metal Closures	148	–4	6.7	2.0	6.5	9.2
17	3	Metal Sciences 2½p	4½		—	—	—	—
104	63	Midland Marts	80		4.0	2.1	7.1	9.6
*83½	55½	Mitchell Cotts	66½	–½	4.25	2.0	9.1	(6.7)
230	182	Morgan Crucible	190		†8.0	1.6	5.8	13.7
33	18	Morris (W) F.A. 20p	18		g0.5	♦	4.0	♦
131	91	Moss Bros 10p	108	–2	†3.0	2.7	4.0	11.6
81	60	Mysan Grp 10p	65		g2.5	3.4	5.5	12.3
330	214	NMW Computers	325	–5	†d4.8	2.7	2.1	25.0
43	27	Nash Inds.	27		†2.5	1.5	‡	6.2
48	15	Neil & Spencer 10p	16		♦—	—	—	4.8
44	14½	Newman Inds 10p	29		Z0.3	—	1.5	(13.7)
57	26	Nolton	52		0.95	2.6	2.6	7.0
216	146	Norcros	192		†8.6	2.0	6.5	9.5
67	45	Nu-Swift 5p	49	+1	†3.0	1.9	8.7	7.9
114	68	Oakwood Grp	90		†d4.5	1.4	7.1	(13.2)
250	150	Office & Elect	207		†7.5	2.6	5.2	10.6
108	75	Ofrex 20p	82	+2	4.0	2.6	7.0	7.3
58	36	Optometrics $0.01	36	–1	wQ02c	—	4.4	—
525	512½	Oriflame £1	525		†23.4	1.0	4.5	12.4

[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

PROPERTY—Continued

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc

[illegible]

FINANCE, LAND—Cont.

[illegible]

OIL AND GAS

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

MINES—Continued

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

[illegible]

"Recent Issues" and "Rights" Page 30
(International Edition Page 34)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £800 per annum for each security.

MARKET REPORT

Gilt-edged recover well on combined effects of pound and US bond market strength

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Nov 11	Nov 21	Nov 22	Dec 2
Nov 25	Dec 5	Dec 6	Dec 16
Dec 9	Dec 19	Dec 20	Jan 6

* "New-time" dealings may take place from 9.30 am two business days earlier.

Government stocks moved to centre-stage yesterday as the pound fought back in foreign exchange markets. Recently lacking in confidence because of currency and other considerations including this week's poor money supply figures, the Gilt-edged sector responded initially to sharply higher US bond prices. These were the result of falling short-term interest rates and revived expectations of an early cut in the key Federal Reserve discount rate.

The morning stability in sterling promoted further support of Gilts which triggered a squeeze on market short positions, but prices were slow to make real progress. Business throughout was seldom in any sizeable volume although buyers were slightly more aggressive later on the back of the exchange rate's sustained recovery.

The better tone continued into the after-hours' trade to leave many high-coupon stocks of both medium and longer life up a full point from the previous close. Shorter maturities achieved gains stretching to $\frac{7}{16}$ and even the currently unfashionable index-linked sector attracted small demand. Despite reaffirmation that the Government would continue to give priority to anti-inflationary policies, many index-linked issues rallied ¼.

Equities flattered to deceive. Leading shares initially gave every indication of making a substantial recovery after the recent spell of uncertainty. The Opec move to calm international oil markets was reassuring and for the first half hour or so turnover was brisk. Investors lost interest, however, and settled down to await the debut of the new partly-paid Cable and Wireless shares today. These are expected to produce a small premium of around 10p over the 300p payable on application.

From 11.00 am onwards business did little more than tick over. Blue chip issues subsequently drifted back from the higher levels and the FT-SE 100 share index shed most of a 9.8 gain to close 1.1 up on balance at 1378.5. A redeeming trading feature was a more enthusiastic reception of good company trading statements, of which there were many.

Deutsche up again

Deutsche, West Germany's largest bank, continued to surge forward, rising 8 points more for a jump of 21 points on the week so far at a record £211 as investors continued to respond to the group's successful acquisition of the Flick Industrial Group. Elsewhere, Henry Ansbacher rose 4 to 69p following news of the proposed reduction of its share premium account from £47.2m to £20.6m.

Abbey Life, a particularly depressed market of late, rallied 7 to 191p, after 194p, while other Life issues also recovered some lost ground with the help of technical influences. Prudential put on 10 to 760p.

Design engineering group SAC International staged a bright debut in the Unlisted Securities Market; the shares, offered at 100p, opened at 106p and touched 115p prior to closing at 114p.

Dealings in Scottish and Newcastle Breweries and Matthew Brown, suspended at the outset yesterday, are expected to resume today after the bid was allowed to lapse. This followed the Takeover Panel's decision to uphold the latter's objection to Wednesday evening's 90-minute extension of the offer period.

Leading Breweries staged a modest rally with gains of 5 common to Bass, 645p, and Allied-Lyons, 263p. Greenall Whitley, dull recently following the annual results, hardened a couple of pence to 164p, but Greene King, 198p, eased 2 ahead of today's half-timer. Dorset-based Eldridge Pope rose 5 to 238p in response to the increased full-year profits and dividend. Elsewhere, H. P. Bulmer rallied 7 to 145p, after 147p, after second-thoughts on the interim results.

Leading Buildings failed to participate in the initial upturn and eventually closed with small irregular movements. Among the second-liners, McCarthy and Stone, a weak market in the wake of the annual results, rallied 10 to 250p, but Baggeridge Brick shed 8 to 315p following comment on the preliminary figures. Recently-dull Ibstock Johnsen improved 4 to 152p and Ward Holdings added the same amount to 230p.

ICI touched 741p early on, but drifted back in the absence of further buying interest to close just 2 dearer on balance at 733p. Laporte slipped 5 to 353p, while profit-taking left Allied Colloids 7 off at 150p.

Gussies dull

Having sustained sizeable losses over the previous two trading sessions, leading Stores put on a much better showing with Burton 9 better at 535p, after 541p, and Woolworth 8 to the good at 520p. GUS A, however, fell to 824p before settling 15 lower on balance at 830p following disappointment with the interim statement. Proposed merger partners British Home Stores and Habitat Mothercare also gave ground and dipped 10 apiece to 378p and 460p respectively. Secondary issues closed firmer for choice with Ward White 6 harder at 264p and J. Hepworth 3 up at 214p. Further consideration of the annual figures lifted NSS Newsagents 6 to 104p, while revived speculative support prompted gains of around 3 in Martin Ford, 64p, and Ladies Pride, 37p. Bentalls, on the other hand, remained friendless and closed 8 cheaper at 140p, while adverse comment clipped 10 from Home Charm at 288p.

Interim profits of £885m from British Telecom failed to match optimistic expectations—brokers' forecasts had ranged to £900m—and the shares softened a penny to 193p, after 192p. Other leading Electricals passed a quiet session with Plessey closing at the overnight level of 178p awaiting further bid developments in the wake of its strong rejection of GEC's formal offer of around 163p per share; GEC cheapened a couple of pence to 172p. Elsewhere, Sound Diffusion, a depressed market earlier this week after the company revealed that it was searching for a new finance director, regained 3½ to 27½p in reply to reassuring press comment. Crystalate reflected the better-than-expected preliminary results with a rise of 10 at 133p, while Chloride hardened a penny to 34p on recovery hopes in the wake of the poor mid-term results.

Trading statements resulted in several noteworthy movements in the Engineering sector. Spencer Clark responded to the bumper annual results with a rise of 18 at 138p, while good preliminary figures prompted a gain of 10 to 116½p in RHP. Satisfactory interim figures left Brasway 3 firmer at 68p, while Baker Perkins, also on the half-year statement, closed a like amount better at 223p. McKechnie moved ahead strongly to close 20 higher at 180p as Williams Holdings revealed a 6.01 per cent stake in the company. Renewed speculative interest left Thomas Robinson up 6 more at 156p, but Astra Industrial fell 1½ to 6½p following reports of a sell recommendation. Frederick Cooper rallied a couple of pence to 23p after the previous day's sharp reaction on the reduced dividend and annual profits.

Northern Foods touched 284p prior to closing a net 8 up at 280p following the good annual results and confident statement. Tate and Lyle, on the other hand, shed 8 for a two-day fall of 30 following comment on the preliminary figures. Recently-dull Ranks Hovis McDougall revived with a gain of 3 at 161p, while United Biscuits, still boosted by US bid rumours, raced up to 259p before easing back to close just a penny dearer on balance at 254p.

Among Hotels, Trusthouse Forte attracted support and firmed 2 to 159p, while Ladbroke, helped by press mention, added 3 to 320p. Profit-taking in the wake of the good annual results left Inn Leisure 6 down at 98p.

Pilkington rally

Among the miscellaneous industrial leaders, Pilkington rallied smartly to close 25 higher at 318p following the interim figures which came above worst estimates. Glaxo, in contrast, encountered US selling accompanied by talk of an American acquisition and closed ⅛ down at £15¼. Elsewhere, Associated British Ports advanced 24 to 392p on reports of a broker's lunch with the company, while news of the disposal of Potter Cowan to WA Holdings prompted a rise of 17 to 129p in Prestwich. Bid speculation persisted in European Ferries which put on 5 to 147½p, while Havelock Europa responded afresh to the good interim figures with a further rise of 15 to 195p. Satisfactory half-year results left English China Clays 6 to the good at 289p. Trading statements were also responsible for rises of around 5 in Reed Executive, 213p, and Alexanders Russell, 92p, but Sidlaw fell 4 to 41p on lower interim profits. Metal Closures, a recent bid favourite, eased to 145p before closing 4 cheaper on balance at 148p. Speculative demand lifted Brammer 9 to 332p. J. W. Spear were noteworthy for a fresh gain of 8 at 173p along with Wedgwood, a like amount dearer at 226p. R. K. Watson, the subject of a recent bid approach, met late support and rose 15 to 225p.

British Printing and Communication advanced 25 to 197p following the purchase of the Withy Grove plant in Manchester. Vendors International Thomson hardened 9 to 484p. Elsewhere, Bristol Evening Post put on 10 to 550p in reply to the increased interim profits and dividend. USM-quoted Promotions House rose 4 to 28p after revived speculative demand.

In Textiles, Richards closed 5 higher at 38p following the annual results and accompanying confident statement regarding prospects, while Ingram ended the same amount up at 110p in response to the interim figures.

North Atlantic Securities were marked 24 higher to 295p in late trading following the result of the poll at the annual meeting whereby a resolution that the company continues to trade as an investment trust was defeated.

Oils steadier

A much steadier performance by crude oil prices in the wake of more reassuring comments by Opec officials encouraged a minor rally in recently depressed oil shares. The leaders attracted good support at the outset but interest subsequently faded to leave only minor gains on balance. Shell settled 7 firmer at 635p and Britoil hardened a few pence to 212p, after 216p, but BP ended the day unchanged on balance at 535p, after 543p, as did Lasmo, 230p, after 238p.

South African Gold shares held steady throughout the day in dollar terms, sustained by the firmer trend in the bullion price, but showed a majority of minor losses in sterling form following the pound's rally against the US currency. Once again business in the sector remained at a relatively low level. The Gold Mines index eased 3.5 to 284.2, while the bullion price edged higher to close $2.25 up at $317.5 an ounce.

FINANCIAL TIMES STOCK INDICES

	Dec. 12	Dec. 11	Dec. 10	Dec. 9	Dec. 2	Dec. 5	year ago
Government Secs	83.18	82.74	82.81	83.14	83.35	83.43	89.58
Fixed Interest	88.84	88.62	88.68	88.84	88.07	88.18	25.95
Ordinary ♥	1104.8	1103.7	1116.7	1115.4	1117.8	1110.4	027.6
Gold Mines	264.2	287.7	263.0	268.3	272.8	277.6	517.5
Ord. Div. Yield	4.51	4.50	4.41	4.43	4.42	4.44	4.64
Earnings, Yld. % (full)	11.17	11.15	110.25	110.92	110.98	11.09	11.76
P/E Ratio (net) (*)	11.04	11.06	11.25	11.29	11.24	11.20	10.21
Total bargains (Est.)	24,415	24,891	22,143	97,943	30,097	22,332	99,435
Equity turnover £m.	—	517.37	485.84	596.73	637.62	668.82	553.94
Equity bargains	—	21,311	24,550	60,868	36,078	33,453	37,580
Shares traded (ml)	—	249.6	233.0	392.6	307.5	312.1	234.4

♥ 10 am 1109.2. 11 am 1106.3. Noon 1104.2. 1 pm 1104.2. 2 pm 1104.3. 3 pm 1104.3. 4 pm 1104.2.
Day's High 1109.8. Day's Low 1103.8.
Basis 100 Government Securities 15/10/26. Fixed Interest 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.
Latest Index 01-246 8026.
* Nil = 10.63.

HIGHS AND LOWS

	1985 High	1985 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	84.57 (16/10)	78.08 (28/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	20.38 (25/10)	88.17 (28/1)	160.4 (28/11/47)	50.63 (3/1/75)
Ordinary	1146.2 (25/11)	211.0 (26/7)	1146.2 (25/11/85)	49.4 (26/6/40)
Gold Mines	658.9 (15/4)	917.8 (5/11)	734.7 (15/2/83)	43.5 (22/10/71)

S.E. ACTIVITY INDICES

	Dec. 11	Dec. 10
Daily		
Gilt Edged Bargains	139.8	155.4
Equities Bargains	138.1	159.1
Value	1045.7	982.0
5 day Average		
Gilt Edged Bargains	148.8	141.0
Equities Bargains	189.5	192.2
Value	1914.5	1306.8

NEW HIGHS AND LOWS FOR 1985

NEW HIGHS (55)

BRITISH FUNDS (1)
Treas 3pc 1986
AMERICANS (7)
Ahmanson (H. F.), Morgan (J. P.), Browning-Ferris, Pennzoil, CalFed, Woolworth, Cons Freightways
CANADIANS (1)
Can Imp Bank
BANKS (7)
Algemene, Deutsche Bank, Allied Irish, Kleinwort, Benson, Bank of Ireland, Cie Bancaire, Commerzbank
BUILDINGS (2)
Lafarge-Coppee, Wilson (Connolly)
CHEMICALS (4)
Akzo NV, BASF AG, Alida Hldgs, Snia BPD
STORES (2)
Amber Day, Ladies Pride
ENGINEERING (6)
McKechnie Bros, Spencer Clark, RHP, Thyssen, SKF AB, Wagon Industrial
FOODS (1)
Assoc Fisheries
INDUSTRIALS (8)
Alfa-Laval, Spear (J. W.), Havelock Europa, Sutcliffe Speakman, Parkfield, Third Mile Inv, Prestwich, Waterford Glass
INSURANCE (1)
Allianz AG
MOTORS (1)
Western Motor
PAPER (1)
Smurfit (Jefferson)
PROPERTY (3)
Connells Est Agents, Trencherwood, Southend Stadium
TEXTILES (2)
Richards, Yorklyde
TRUSTS (7)
Drayton Japan, Rolinco N/V, Family Inv, Do. Sub Shares, Fleming Enterprise, Rorento, Robeco Sub Shares
OVERSEAS TRADERS (1)
Great Northern Tel

NEW LOWS (42)

INTL BANK & O'SEAS GOVT STLG ISSUES (2)
Finland 14½pc 1986, Sweden 13½pc 1986
LOANS (2)
Nationwide Bldg Soc 11½pc 11.8/86, Do. 11⅞pc 15/9 86
AMERICANS (3)
Cenergy, Texaco, Louisiana Land
BANKS (1)
Union Discount
BUILDINGS (1)
Access Satellite
STORES (2)
Bedford (Wm), House of Lerose
ELECTRICALS (2)
Compost Hldgs, DDT
FOODS (2)
Canvermoor, Glass Glover
INDUSTRIALS (6)
Becpak, Falcon Inds, Brengreen, Hartons, Caparo Inds 8¾pc Cnv. Pf, Optometrics
NEWSPAPERS (1)
Home Counties Hldgs
PAPER (4)
ATA Selection, Osprey Communications, McCorquodale, Peters (Michael)
PROPERTY (1)
Control Securities
TEXTILES (1)
Corah
TRUSTS (2)
Kellock Cnv Pf, London Inv Tst
OILS (6)
Charterhall, Sceptre Resources, Intercontl Energy, Sovereign Oil & Gas, North Sea & Gen Inv, Texaco 4¾pc Cnv
PLANTATIONS (2)
Bertam, Rowe Evans Inv
MINES (4)
Haoma NW, Metana Minerals, Metals Expln, Whim Creek

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Dec 2	Dec 13	Mar 6	Mar 17
Dec 16	Jan 3	Mar 26	Apr 7
Jan 6	Jan 17	Apr 10	Apr 21

For rate indications see end of Unit Trust Service

Stocks favoured for the call included Polly Peck, International City Holdings, Widney, Amstrad Consumer Electronics, Keep Investment Trust, Pavion, C. H. Bailey, Inn Leisure, Energy Capital, Sound Diffusion, H. Samuel A, Marley, Racal, Henara and Burmah Oil. No puts or doubles were reported.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thurs Dec 12 1985 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 30%)	Est. P/E Ratio (Net)	xd adj. 1985 to date	Wed Dec 11 Index No.	Tues Dec 10 Index No.	Mon Dec 9 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (207)	565.19	+0.3	10.15	4.07	12.35	15.23	563.77	567.87	566.71	547.60
2	Building Materials (23)	622.69	+0.9	10.78	4.36	11.66	17.26	617.07	622.30	626.34	500.30
3	Contracting, Construction (27)	915.84	+0.2	10.55	4.72	12.21	28.48	914.09	922.34	929.91	720.51
4	Electricals (13)	1528.64	+0.8	9.61	4.98	13.57	52.34	1508.65	1525.63	1544.40	1620.85
5	Electronics (39)	1418.28	−0.4	10.50	3.21	12.49	32.81	1424.44	1412.30	1414.39	1960.56
6	Mechanical Engineering (61)	319.79	+0.4	10.80	4.55	11.24	9.57	318.46	322.21	322.39	268.68
8	Metals and Metal Forming (7)	237.81	+2.3	9.27	6.87	13.17	7.98	232.48	234.58	234.59	161.32
9	Motors (17)	197.83	+0.7	12.15	4.46	9.93	5.91	196.54	198.36	196.03	135.43
10	Other Industrial Materials (20)	989.89	+0.1	7.63	3.65	15.75	24.34	989.28	1005.20	991.18	795.85
21	CONSUMER GROUP (177)	752.64	—	8.73	3.65	14.35	18.21	752.99	762.49	766.08	593.61
22	Brewers and Distillers (23)	755.22	+0.4	10.81	4.04	12.00	17.44	752.53	764.85	768.89	547.26
25	Food Manufacturing (22)	559.06	+0.6	10.77	4.51	11.93	17.32	555.93	561.74	557.07	461.26
26	Food Retailing (14)	1727.18	−0.1	6.30	2.61	21.36	28.06	1728.64	1758.67	1762.26	1422.72
27	Health and Household Products (9)	1195.31	−1.2	6.41	2.74	18.32	23.08	1209.76	1226.69	1213.06	996.86
29	Leisure (24)	760.74	+0.3	7.37	4.43	17.30	23.67	758.84	764.06	762.93	658.73
32	Newspapers, Publishing (11)	1849.65	+2.1	7.31	5.28	17.29	58.98	1811.71	1836.76	1854.85	1440.45
33	Packaging and Paper (13)	366.43	—	9.51	4.22	12.61	10.19	366.42	369.99	371.47	280.04
34	Stores (42)	756.13	+0.3	6.99	2.86	19.33	15.09	753.74	764.98	794.49	526.54
35	Textiles (16)	376.88	—	11.78	4.55	9.62	11.43	376.92	380.94	380.98	285.57
36	Tobaccos (3)	863.52	−1.4	15.27	5.28	7.40	30.77	875.38	875.68	844.76	821.48
41	OTHER GROUPS (98)	710.61	−0.1	9.31	4.09	13.08	16.56	711.58	714.47	713.64	577.99
42	Chemicals (18)	729.18	−0.1	13.77	5.32	9.61	26.69	730.17	734.83	721.58	604.95
44	Office Equipment (4)	217.40	—	7.33	4.03	16.28	6.20	217.40	219.04	220.82	144.59
45	Shipping and Transport (10)	1338.60	+1.6	7.41	4.10	16.49	40.16	1317.66	1338.51	1333.31	927.39
46	Miscellaneous (64)	872.23	−0.2	8.09	3.81	15.23	19.69	873.91	881.34	882.82	759.80
48	Telephone Networks (2)	890.34	−0.4	8.48	3.71	15.68	14.38	893.54	892.34	896.03	666.72
49	INDUSTRIAL GROUP (482)	700.20	—	9.22	3.87	13.69	17.25	700.17	706.33	707.65	587.74
51	Oils (18)	1089.00	+0.5	17.29	8.03	7.10	60.72	1084.60	1093.21	1104.43	1077.83
59	500 SHARE INDEX (500)	733.90	—	10.16	4.35	12.36	20.74	733.46	739.84	741.94	620.78
61	FINANCIAL GROUP (116)	507.71	+0.4	—	4.79	—	16.96	505.83	511.87	511.18	422.13
62	Banks (6)	506.09	+0.3	10.18	5.89	7.86	21.12	504.46	514.78	514.36	418.17
65	Insurance (Life) (9)	779.36	+0.8	—	4.36	—	23.40	773.00	791.17	792.65	567.70
66	Insurance (Composite) (7)	390.50	+0.5	—	5.04	—	13.79	388.73	390.02	391.04	306.50
67	Insurance (Brokers) (8)	1163.45	+0.6	7.27	3.71	18.40	30.86	1156.24	1159.58	1128.38	954.08
68	Merchant Banks (11)	283.94	+0.4	—	3.65	—	6.83	282.80	284.21	283.12	217.58
69	Property (51)	667.14	—	5.87	3.70	22.76	17.40	667.44	671.96	674.69	636.18
70	Other Financial (24)	300.77	+0.3	10.17	5.68	12.15	11.99	299.97	301.75	299.63	258.94
71	Investment Trusts (105)	635.90	+0.5	—	3.43	—	15.66	632.94	631.70	630.21	557.27
81	Mining Finance (3)	243.77	+0.4	13.72	6.37	8.48	10.48	242.87	244.69	244.70	276.38
91	Overseas Traders (14)	591.69	+1.1	13.23	6.93	8.99	29.15	585.50	587.91	587.49	611.60
99	ALL-SHARE INDEX (738)	668.65	+0.1	—	4.42	—	19.50	667.71	673.49	674.75	574.18

	Index No.	Day's Change	Day's High	Day's Low	Dec 11	Dec 10	Dec 9	Dec 6	Dec 5	Year ago
FT-SE 100 SHARE INDEX	1378.5	+1.1	1387.2	1378.3	1377.4	1389.5	1392.2	1401.9	1395.3	1196.7

FIXED INTEREST

	PRICE INDICES	Thurs Dec 12	Day's change %	Wed Dec 11	xd adj. today	xd adj. 1985 to date
	British Government					
1	5 years	118.52	+0.23	118.25	—	10.91
2	5-15 years	132.44	+0.76	131.44	—	12.72
3	Over 15 years	138.42	+0.90	137.19	—	11.82
4	Irredeemables	150.07	+0.25	149.69	—	13.57
5	All stocks	130.22	+0.60	129.45	—	12.08
6	Debentures & Loans	110.72	+0.20	110.50	—	12.05
7	Preference	81.55	−0.19	81.71	—	6.62
	BRITISH GOVERNMENT INDEX-LINKED STOCKS					
8	All stocks	109.13	+0.21	108.90	—	2.69

	AVERAGE GROSS REDEMPTION YIELDS		Thurs Dec 12	Wed Dec 11	Year ago (approx.)
	British Government				
1	Low	5 years	10.13	10.22	10.35
2	Coupons	15 years	10.25	10.35	10.31
3		25 years	10.25	10.36	9.85
4	Medium	5 years	11.09	11.21	11.01
5	Coupons	15 years	10.59	10.71	10.72
6		25 years	10.22	10.32	10.13
7	High	5 years	11.18	11.31	11.10
8	Coupons	15 years	10.73	10.85	10.87
9		25 years	10.42	10.50	10.25
10	Irredeemables†		9.80	9.82	9.77
11	Debs &	5 years	11.44	11.50	11.29
12	Loans	15 years	11.36	11.40	11.36
13		25 years	11.27	11.29	11.37
14	Preference†		11.89	11.87	12.61
15	Inflation rate	5%	3.77	3.78	3.24
16		10%	3.59	3.60	3.07

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Assoc. British Ports	392	+24
Boots	249	+1
BP	535	—
Brit Printing & Comm.	197	+25
Jaguar	325	+6
McKechnie Bros.	180	+20
Northern Foods	280	+8
Pilkington Bros.	318	+25
RHP	116½	+10
Shell Transport	635	+7
Sound Diffusion	27½	+3½
United Biscuits	254	+1

WEDNESDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Wed. close	Day's change
Asprey	15	155	−13
Brit Aero	16	441	−12
Pearson	15	420	−8
ICI	14	731	−3
Bass	13	640	−17
BP	13	635	−5
Cable and Wire	13	595	+5
Barclays	12	428	−13
Boots	12	248	−2
Glaxo	12	£15½	−¼
Lloyds Bank	12	458	−10
LASMO	12	230	−3

EUROPEAN OPTIONS EXCHANGE

Series		Feb. Vol.	Feb. Last	May Vol.	May Last	Aug. Vol.	Aug. Last	Stock
GOLD C	$300	—	—	—	—	13	35	$318
GOLD C	$320	183	8	10	15	66	21	"
GOLD C	$340	64	0.60	—	—	75	16.50	"
GOLD C	$360	—	—	77	3	—	—	"
GOLD P	$300	—	—	—	—	10	6 A	"
GOLD P	$320	4	8.50	[illegible]	[illegible]	[illegible]	[illegible]	"

[illegible]

TOTAL VOLUME IN CONTRACTS: 33,110
A=Ask B=Bid C=Call P=Put

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

Issue price	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price	+ or −
[illegible]							
240	F.P.	26/1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
187	Nil	8/1	38pm	34pm	Wedgwood	34pm	+4

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. g Assumed dividend and yield. H Dividend and yield based on prospectus or other official estimates for 1986. u Forecast [illegible] otherwise indicated. ‡ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ‖ Allotment price. ‡‡ Dealt in under Rule 535 (3). ♥ Dealt in under Rule 535 (4)(a). † Units comprising five ordinary and one warrant. * Units comprising 12 preference shares and one warrant.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	102	1	6
Corpns. Dom. and Foreign Bonds	22	16	47
Industrials	316	278	896
Financial and Props.	139	81	346
Oils	20	22	84
Plantations	2	2	13
Mines	24	56	101
Others	79	76	93
Totals	707	529	1,586

LONDON TRADED OPTIONS

Option		Calls Jan.	Calls Apr.	Calls July	Puts Jan.	Puts Apr.	Puts July
B.P. (*541)	500	55	70	—	3	10	—
	550	25	40	62	22	38	46
	600	6	16	87	63	77	78
[illegible]							

Option		Calls Feb.	Calls May	Calls Aug.	Puts Feb.	Puts May	Puts Aug.
P. & O. (*425)	360	75	—	—	1½	—	—
	390	45	30	—	5	6	—
	420	27	33	45	13	20	23
	460	14	18	23	40	45	60
[illegible]							

December 12 Total contracts 14,612 Calls 10,059 Puts 4,[illegible]
*Underlying security price

WORLD STOCK MARKETS

AUSTRIA

GERMANY

NORWAY

AUSTRALIA (continued)

JAPAN (continued)

BELGIUM/LUXEMBOURG

SPAIN

DENMARK

SWEDEN

HONG KONG

ITALY

FRANCE

SWITZERLAND

JAPAN

NETHERLANDS

SINGAPORE

AUSTRALIA

SOUTH AFRICA

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Schillings.

CANADA

TORONTO

Prices at 2.30pm December 12

MONTREAL

Closing prices December 11

Indices

NEW YORK

** Saturday December 7. Japan Nikkei 12,790.2. TSE 1,010.37.

Base value of all indices is 100, except: JSE Gold—255.7; JSE Industrial—264.3; Australia All Ordinary and Metals—500; NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

* Indicates pre-close figure

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Continued from Page 37

LONDON Chief price changes (in pence unless otherwise indicated)

RISES

Ex 10¼% Cnv. '89	£39⅞	+⅞
Ex 12¼% 1999	£113¾	+ 1
Abbey Life	191	+ 7
Ass Brit. Ports	392	+24
Brit Prin & Comm	197	+25
Bulmer (H. P.)	145	+ 7
Crystalate	133	+10
Deutsche Bank	£211	+ 8
Eng China Clays	289	+ 8
Havelock Europa	195	+15
McKecknie Bros.	180	+20
Northern Foods	280	+ 8
Pilk Bros.	318	+25
Prestwich	129	+17
Promot House	28	+ 4
RHP	116½	+10
Richards	38	+ 5
Sound Diff	27½	+3½
Spencer Clark	138	+18
Williamson Tea	420	+25

FALLS

Bentalls	140	− 9
Energy Cap	42	− 6
GUS A	830	−15
Inn Leisure	98	− 6
Tate & Lyle	538	− 8
Triton Europe	245	−10

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BELGIUM & LUXEMBOURG

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Prices at 3pm, December 12

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26¾	16	AAR	.58	2.2	18	126	25⅞	25	25	+⅛
19¼	10⅞	AGS			16	518	u20⅛	19½	19¾	+¾
15⅜	9⅞	AMCA				18	11½	11⅜	11⅜	+⅛
50¾	33¼	AMR			7	6004	45⅛	43¾	44⅛	−⅛
24¼	18⅝	AMR pf2.19		9.2		10	23¾	23⅝	23⅝	
11⅛	7⅝	APL			5	23	10⅝	10½	10½	−⅛
16⅛	9	ARX			15	141	u16¼	16	16¼	+⅛
55⅜	32¾	ASA	2a	5.8		256	35¼	34½	34⅞	−⅛
27	10½	AVX	.32	2.2		474	14¾	14½	14½	+⅛
28⅛	20⅝	AZP	2.72	10.	9	733	26⅞	26½	26¾	+⅛
64⅞	38⅝	AbtLab 1.40		2.1	16	2315	u65½	64¼	65⅛	+½
25⅞	16⅝	AccoWd .30		2.6	18	578	25⅛	24¾	25	+⅛
24¾	10	AcmeC .40		3.2	16	116	12¾	12⅝	12⅝	
10½	7	AcmeE .32b		4.5	11	16	7¼	7⅛	7⅛	+⅛
19⅝	16½	AdaEx 1.92e		10.		38	19¼	19	19	−¼
21¾	13⅝	AdmMl .40		1.9	6	222	u21⅞	21⅝	21⅝	−¼
16¾	8⅝	AdvSys .53t		3.1	16	352	u17⅝	16⅞	17¼	+⅝
36⅜	22⅛	AMD			44	5243	30¾	29⅝	29⅝	−1⅛
13⅜	10⅝	Adobe n				192	11¾	11⅝	11⅝	
11	14⅝	Adob pfA				48	15¾	15¾	15¾	+¼
17⅝	15¼	Adob pfB				26	17¼	17⅛	17¼	+⅛
12⅝	7	Advest .12a		1.0	11	479	12⅝	12⅛	12¼	+⅜
53⅛	34¾	AetnLf 2.64		5.1	17	8815	51¾	51⅛	51½	
57½	52¾	AetL pf5.19e		9.9		264	53½	53	53	−½
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 37

NYSE COMPOSITE PRICES

Continued from Page 36

AMEX COMPOSITE PRICES

Prices at 3pm, December 12

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full

Continued on Page 35

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Takeovers grab the attention

TAKEOVER activity and speculation of more to come, was tha focus of investor attention on Wall Street yesterday, *writes Michael Morgan in New York.*

Prices mostly remained around the record levels established the previous day although as the morning progressed, some stock index futures contracts began trading at a discount to their underlying cash indices, triggering arbitrage programmes in which the futures were purchased and the underlying stocks sold.

By 3pm, the Dow Jones industrial average was 4.48 down at 1,507.22.

In the credit markets, bond prices turned down with an unexpectedly high increase in November retail sales providing some restaint to a further rise, after Wednesday's surge.

Fed funds opened lower at 7 13/16 per cent and edged up to 7⅞ per cent at which level the Fed added temporary liquidity through a $1.5bn customer repurchase arrangement.

Among the Treasury coupon issues, the price of the key 9⅞ per cent bond of 2015 fell 5/32 to 103 9/32, giving up an early rise while the 9½ per cent note due in 1995 fell 5/32 to 101 24/32.

In the money markets, yields on three and six-month Treasury bills were both 1 basis point lower at a common 7.05 per cent. At the Treasury's auction of bills, delayed since Monday, average yields were 7.05 per cent for the three-month bill and 7.02 per cent for the six-month bill.

In the stock markets, General Electric and RCA were heavily traded in the wake of their $6.28bn merger agreement. RCA fell $4⅛ to $59 after Wednesday's $10¾ surge. General Electric was up $¼ at $68⅜.

The agreement also spurred activity in other broadcasting and entertainment issues. CBS added $3¾ to $116½, Taft Broadcasting $1¾ to $83 and Viacom International $1⅝ to $58½. MCA which recently held talks with RCA traded down $2 at $49.

A $4 rise to $43⅞ for Anheuser-Busch prompted a comment from the brewer that it knew of no reason for the activity.

Many blue-chip issues turned down. IBM fell $⅝ to $134¼, Digital Equipment $⅝ to $132¼ and General Motors $½ to $73¾. Merck was unchanged at $134¼.

Texaco picked up $⅝ of recent losses to trade at $28¾ after the stock received a buy recommendation from an analyst who said the company'a common shares were backed by assets worth $90 to $100 a share. Texaco had fallen $2½ the previous day after a judge upheld a $11.1bn award in favour of Pennzoil, down $¼ to $67.

Other oils were also higher after recent losses. Exxon was up $1⅛ at $51¼, Chevron $¾ at $35⅝, Atlantic Richfield $¼ at $61⅜ and Mobil $⅝ at $29½.

Schlumberger, the oilfield services and electronic instruments group, put on $2¼ to $35¼ after its announcement of a $485m charge against fourth-quarter earnings and plan to buy back up to 25m of its outstanding shares.

Union Carbide was $⅝ higher at $66⅞ amid reports that some large investors were holding on to the stock in the belief that GAF Corp might raise its $4.13bn bid. GAF was $½ higher at $61⅝.

Among the aerospace issues, Rockwell International was $⅛ lower at $37 as the US Air Force lifted its suspension on the group from receiving new orders.

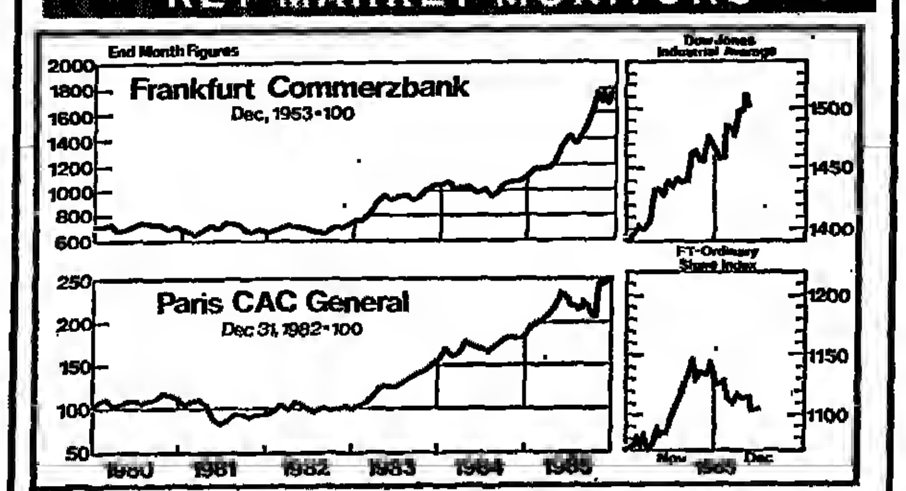
Retail stocks showed strength. Zayre rose $2⅝ to $61½. Alexander's $1⅞ at $32⅞ and Associated Dry Goods $1⅛ at $39⅞.

Upjohn, the drugs group, sprinted $6⅞ higher to $137⅝ after a report quoting analysts as saying the recent selloff in the company's stock was mostly caused by psychological factors and that there was no real news that threatens the company.

W. R. Grace advanced $1⅛ to $46⅝ after the $1⅛ fall on Wednesday when Grace said it would buy back a 26 per cent block of its shares from Deutsche Bank.

CSX was down $⅜ to $30¼ on further consideration of its plans to restructure its transport and resources business which will result in a fourth-quarter $954m pre-tax charge.

KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	Dec 12	Previous	Year ago
DJ Industrials	1,504.22*	1,511.7	1,175.13
DJ Transport	710.32*	715.12	530.78
DJ Utilities	166.19*	167.47	144.80
S&P Composite	206.18*	206.31	162.63
LONDON			
FT Ord	1,104.8	1,103.7	927.6
FT-SE 100	1,378.5	1,377.4	1,190.7
FT-A All-share	668.65	667.71	574.18
FT-A 500	733.90	733.46	628.78
FT Gold mines	264.2	267.7	547.5
FT-A Long gilt	10.42	10.50	10.19
TOKYO			
Nikkei	13,050.28	12,972.00	11,382.30
Tokyo SE	1,044.11	1,031.59	879.03
AUSTRALIA			
All Ord.	977.7	980.7	721.3
Metals & Mins.	415.7	479.2	413.7
AUSTRIA			
Credit Aktien	116.07	115.87	58.84
BELGIUM			
Belgian SE	2,864.06	2,848.15	—
CANADA			
Toronto			
Metals & Minls	2,002.6*	2,001.6	1,864.0
Composite	2,850.1*	2,843.5	2,341.7
Montreal			
Portfolio	139.42*	139.29	116.49
DENMARK			
SE	n/a	233.54	166.47
FRANCE			
CAC Gen	248.9	247.5	180.4
Ind. Tendance	144.9	144.0	99.2
WEST GERMANY			
FAZ-Aktien	604.41	592.55	375.10
Commerzbank	1,782.3	1,745.3	1,087.1
HONG KONG			
Hang Seng	1,740.40	1,723.05	1,117.83
ITALY			
Banca Comm.	437.40	437.68	213.48
NETHERLANDS			
ANP-CBS Gen	236.1	234.5	178.4
ANP-CBS Ind	217.3	415.7	141.5
NORWAY			
Oslo SE	387.07	388.10	288.15
SINGAPORE			
Straits Times	644.09	647.21	811.60
SOUTH AFRICA			
JSE Golds	–	1,133.2	991.6
JSE Industrials	–	1,035.9	949.1
SPAIN			
Madrid SE	133.37	132.38	97.84
SWEDEN			
J & P	1,693.36	1,647.19	1,369.10
SWITZERLAND			
Swiss Bank Ind	553.2	553.5	383.9
WORLD	Dec 11	Prev	Year ago
Capital Int'l	246.8	245.2	183.4

COMMODITIES

(London)	Dec 11	Prev
Silver (spot fixing)	402.45p	405.40p
Copper (cash)	£969.25	£992.50
Coffee (Jan)	£2,077.50	£2,047.50
Oil (spot Arabian Light)	n/a	n/s

GOLD (per ounce)

	Dec 12	Prev
London	$317.50	$315.25
Zürich	$317.55	$315.75
Paris (fixing)	$315.02	$315.94
Luxembourg	$317.00	$317.00
New York (Feb)	$320.40	$320.00

CURRENCIES

(London)	U.S. DOLLAR Dec 12	U.S. DOLLAR Previous	STERLING Dec 12	STERLING Previous
$	–	–	1.4395	1.415
DM	2.514	2.5425	3.62	3.5975
Yen	202.05	203.8	290.75	288.5
FFr	7.6825	7.7575	11.06	10.9775
SFr	2.1015	2.1285	3.025	3.0125
Guilder	2.8285	2.8655	4.0725	4.055
Lira	1,712.5	1,725.5	2,465.0	2,441.5
BFr	51.3	51.85	73.85	73.35
C$	1.38715	1.3915	1.9965	2.96795

INTEREST RATES

	Dec 12	Prev
Euro-currencies (3-month offered rate)		
£	11⅞	11 15/16
SFr	4 5/16	4¾
DM	4 13/16	4⅞
FFr	12½	13
FT London Interbank fixing (offered rate)		
3-month U.S.$	8 1/16	8⅛
6-month U.S.$	8 1/16	8⅛
U.S. Fed Funds	7⅞*	7⅞
U.S. 3-month CDs	7.65*	7.80
U.S. 3-month T-bills	7.06*	7.07

U.S BONDS

Treasury		Dec 12* Price	Dec 12* Yield	Prev Price	Prev Yield
8½	1987	100 [illegible]/32	8.059	100 [illegible]/32	7.971
9⅝	1992	103 [illegible]/32	9.097	103 [illegible]/32	9.022
9½	1995	101 17/32	9.259	101 [illegible]/32	9.201
9⅞	2015	102 [illegible]/32	9.59	103 [illegible]/32	9.537

Treasury Index

Maturity (years)	Return Index (Dec 12*)	Day's change	Yield	Day's change
1–30	136.28	–0.08	8.80	+0.02
1–10	133.26	–0.06	8.52	+0.02
1– 3	128.51	–0.02	8.07	+0.02
3– 5	135.19	–0.02	8.68	+0.01
15–30	147.13	–0.11	9.78	+0.01

Source: Merrill Lynch

Corporate	Dec 11* Price	Dec 11* Yield	Prev Price	Prev Yield
AT & T				
10⅜ June 1990	101½	9.90	101½	9.90
3⅞ July 1990	85⅝	7.75	85⅝	7.75
8⅞ May 2000	89½	10.15	89½	10.15
Xerox				
10⅞ Mar 1993	102	10.15	103⅛	10.00
Diamond Shamrock				
10⅞ May 1993	100⅞	10.60	101⅝	10.40
Federated Dept Stores				
10⅞ May 2013	96⅞	11.00	98⅞	10.75
Abbot Lab				
11.80 Feb 2013	106	11.10	108⅝	10.80
Alcoa				
12⅛ Dec 2012	104	11.75	105⅝	11.75

Source: Salomon Bros

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
Dec	84-04	84-23	84-02	84-11
U.S. Treasury Bills (IMM) $1m points of 100%				
Dec	92.97	93.04	92.95	92.97
Certificates of Deposit (IMM) $1m points of 100%				
Dec	92.28	92.34	92.26	92.30
LONDON				
Three-month Eurodollar $1m points of 100%				
Dec	92.08	92.08	92.01	91.90
20-year Notional Gilt £50,000 32nds of 100%				
Dec	112-00	112-03	111-05	110-20

* *Latest available figures*

LONDON

Centre stage captured by gilts

GOVERNMENT stocks moved to centre stage in London yesterday as the pound fought back in foreign exchange markets. Recently lacking in confidence because of currency and other considerations, including this week's poor money supply figures, the gilt-edged sector responded initially to sharply higher US bond prices.

Both medium and longer-life stocks gained a full point and shorts moved ⅛ higher.

Equities made an initial recovery but investors lost interest and settled down to await the debut of the new partly-paid Cable & Wireless shares today.

The FT Ordinary share index gained 1.1 to 1,104.8 and the FT-SE 100 added a similar amount to 1,378.5.

Chief price changes, Page 35; Details, Page 34; Share information service, Pages 32-33.

AUSTRALIA

RESOURCE STOCKS continued to lead Sydney lower, as worries over oil and gold prices persisted.

The All Ordinaries share index lost 3.1 to 977.7 while the gold index was off 13.1 at 825.8.

Turnover was boosted by hefty trading in takeover target Repco which gained 7 cents to A$1.56. Ariadne Australia, the investment group, has offered A$1.50 a share for the Melbourne based manufacturer and retailer.

In lower golds, GMK shed 30 cents to A$8.50, Central Norseman 20 cents to A$6.10, Niugini 10 cents to A$1.75 and Kidston 6 cents to A$5.20.

HONG KONG

THE AUCTION of several pieces of Government land injected firmness into Hong Kong and property issues led the market higher.

Subsidiaries of Swire Pacific and Sun Hung Kai were the buyers of two select blocks. SHK Properties put on 30 cents to HK$13.00 but Swire fell 10 cents to HK$29.70. Hongkong Land added 10 cents to HK$6.80, while Cheung Kong jumped 70 cents to HK$21.60.

Elsewhere, Hongkong and Shanghai Bank firmed 5 cents to HK$8.80, Hang Seng Bank 25 cents to HK$46.25, Hutchison 40 cents to HK$26.50 and Hongkong Telephone 20 cents to HK$9.90.

CANADA

INDUSTRIALS in Toronto advanced in line with Wall Street and oils and golds recovered some of their recent losses.

Canadian Tire topped actives, trading C$⅜ higher at C$11⅞ after surging C$1⅛ in the previous session on news that it intends to sell its money-losing White Stores subsidiary.

Banks, which recently recorded strong profits for the year, continued to advance, aided by speculation of a further fall in interest rates.

SINGAPORE

SOME PROFIT-TAKING was evident in Singapore yesterday and prices eased slightly.

The Straits Times industrial index eased 3.12 to 644.09.

Sime Darby was actively traded with a turnover of 1.2m shares. It ended off 1 cent at S$1.31.

Elsewhere, Tuan Sing Holdings was unchanged at 26 cents while Haw Par gained 3 cents to S$1.80.

SOUTH AFRICA

BARGAIN HUNTERS picked up some golds in Johannesburg but most faded along with other sectors.

Driefontein lost 25 cents of R49, Kloof was 10 cents lower at R22.40 and Buffels dropped a hefty R6.50 to R81.25.

Barlow Rand, which said it hopes at least to maintain earnings this year, lost 5 cents to R12.95. In mining financials, Anglo American added 25 cents to R39.

TOKYO

Financials contribute to surge

THE SURGE to a new high on Wall Street overnight encouraged investors to buy in Toyko, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average briefly hit a record 13,059,02 late in the morning, but investor wariness of the rapid rise brought the average down to close at 13,050,28, still up 78.28 over Wednesday's close. Volume came to 408m shares against Wednesday's 287m. Advances outnumbered declines 425 to 396, with 132 issues unchanged.

Buying interest grew because of expectations of a slowdown in inflation and a drop in interest rates, while foreign investors sharply increased purchases of Japanese stocks. Non-resident buy orders placed with the four leading brokerage houses in the morning amounted to 28m shares, exceeding sell orders for 21m. Nomura Securities accounted for 12m shares of the non-residents' buy orders. A Nomura official said targets of buying were such blue chips as Hitachi, NEC and Fujitsu, and Tokyo Electric Power.

The chief contributors to the day's upsurge were financial stocks. Dai-Ichi Kangyo Bank jumped Y120 to Y1,620, Sumitomo Bank Y110 to Y1,700 and Sumitomo Trust and Banking Y90 to Y1,110. However, buying was in small lots and purchases of Dai-Ichi Kangyo shares, the heaviest among them, totalled only 1.33m shares.

In terms of volume, large-capital stocks and blue chips were the leading players. Tokyo Electric Power topped the active list with 16.11m shares changing hands, reflecting falling crude oil prices, and soared Y80 to Y2,690. Tokyo Gas, Nippon Steel and Mitsubishi Heavy Industries were also among the 10 busiest stocks, finishing Y4 up at Y310, Y3 up at Y158 and Y7 up at Y371, respectively. Kansai Electric Power, although not among the busiest stocks, advanced Y70 to Y2,080.

Among blue chips, Canon went up Y80 to Y1,210, Fujitsu rose Y20 to Y1,140 and Nippon Kogaku Y20 to Y1,100. But Hitachi, the day's second busiest stock, came under profit-taking pressure, losing Y7 to Y763. NEC advanced Y30 at one stage, but closed unchanged from Wednesday at Y1,340.

Incentive-backed issues drew popularity, with Sumitomo Metal Mining rising Y120 to Y1,810 and Janome Sewing Machine up Y31 to Y454.

Despite the animated trading because of the improved investment environment, selling hit leading blue chips and speculative stocks were sought. Major brokerage house officials said institutional investors still kept away from the market.

The continued fall in US interest rates increased bond buying, but selling increased in the afternoon. The yield on the barometer 6.8 per cent government bond due in December 1994 plunged from 5.90 per cent Wednesday to 5.78 per cent in the morning, but later increased to 5.86 per cent.

EUROPE

Banks and oils still dominate

BANKS and oil-price-sensitive issues continued to dominate trading on the European bourses yesterday while the bond markets, temporarily standing agog at the dramatic overnight surge in New York credit markets, managed a credible rally.

Frankfurt, inspired by the interest created by the Flick/Daimler/Deutsche Bank triangle, grasped the nettle and stormed ahead with a 37 point advance to a peak 1,782.2.

Deutsche Bank stole the show in the banking sector. It surged DM 18 to DM 755.50 on reports that the institution will benefit by up to DM 700m in commission alone from the Flick acquisition.

Dresdner, meanwhile, scored a hefty DM 16.20 rise to DM 364.50 after its Deutsche Länderbank disposal to Union Bank of Switzerland and market expectations of higher profits for the year.

BHF recovered half of the previous session's losses with a DM 5 gain to DM 490.

Daimler continued to benefit from the Flick fallout and strong 10-month figures. The quality car maker jumped a further DM 38 to DM 1,177 after Wednesday's DM 33 gain, on suggestions that Flick's 10 per cent holding in the group may be placed with one or more investors rather than sold widely in the market.

Utilities basked in the warmth of lower oil prices and bearish interest rates – two key influences on their profitability and share performance.

The dominant RWE put on DM 8.50 to DM 195.50 while Veba traded 6.50 higher to DM 291.50 but was also aided by its five-year investment programme details.

Lufthansa picked up a further DM 3 to DM 229 in the post-Opec euphoria among oil-sensitive stocks and Metallgesellschaft managed only a modest DM 1 rise to DM 316 after Wednesday's DM 20 surge.

A lively bond market drew inspiration from its transatlantic counterpart and gains of up to 50 basis points were easily secured with particular emphasis on longer dated issues. Significantly foreign investors were not active.

The Bundesbank fed the market with DM 98m of domestic paper sales after selling DM 31m in the previous session.

Zurich gained strength for the fifth consecutive day. Small gains were recorded by the big banks. UBS, however, put SFr 80 on its bearer share at SFr 5,075 while the registered stock firmed SFr 20 to SFr 930, both peaks for the year.

Insurers were broadly higher although Helvetia registered, temporarily suspended in a narrow market, returned to trade SFr 225 up to SFr 3,750.

Leading bank, insurance and general indices rose to new highs for the year although the Swiss Bank Industrial index inched 0.3 lower to 553.2.

Bonds prices closed steady on falling turnover.

Amsterdam was mixed despite lacklustre trading. Royal Dutch recovered some of the ground lost earlier in the week with its Fl 4.10 rise to Fl 171.40 while ABN in banks jumped Fl 8 to Fl 541 following higher profits forecast for the year. Philips' maintained interim dividend resulted in a 10 cent gain to Fl 57.

Bonds were mixed in thin conditions.

Records abounded in Stockholm. Turnover doubled from the previous session to a peak SKr 960m while the Jacobson & Ponsbach index stormed new heights with its 46.17 rise to 1,693.36.

Ericsson was most active with a SKr 7 gain to SKr 219 while Electrolux was quickly bidded SKr 6 higher to SKr 186. Volvo B jumped SKr 13 to SKr 307 although Fermenta moved against the trend with its SKr 1 to fall to SKr 198.

Brussels staunched some of the wounds suffered earlier in the week with a technical recovery. The tone was aided by unconfirmed reports that a law granting tax breaks on Belgian stocks could be extended. Petrofina recouped BFr 80 to BFr 6,570.

Paris gained ground with Galleries Lafayette surging FFr 78 to FFr 878.

Milan was dominated by technical trading with most issues losing further ground in unofficial after-bourse dealings.

The Hongkong & Kowloon Wharf & Godown Company, Limited

Interim Report to Shareholders
Half Year Period ended 30th September, 1985

Group Results
The unaudited profit, after taxation and minority interests, amounted to HK$302.4 million for the six months ended 30th September, 1985, compared with HK$220.8 million for the corresponding period last year, an increase of 36.9 percent. Earnings per share improved by 36.6 percent from 14.2 cents to 19.4 cents. Total tangible assets increased 76.2 percent from HK$6,303.3 million as of 30th September, 1984 to HK$11,104.8 million as of 30th September, 1985.

Interim Dividend
The Board has declared an interim dividend of 8.5 cents per share in respect of the half year ended 30th September, 1985, compared with 7 cents per share for the six months ended 30th September, 1984, an increase of 21.4 percent. The interim dividend will be paid on 3rd February, 1986 to shareholders on record as at 17th January, 1986. The register of members will be closed from 13th January to 17th January, 1986, both days inclusive. In order to qualify for the interim dividend all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars, not later than 4.30 p.m. on 10th January, 1986.

Share Registrars
Wheelock Marden and Company Limited will be the appointed Share Registrars of the Company with effect from 1st January, 1986. All transfers of shares and loan stock after that date should be lodged at the share transfer office of the new Share Registrars at 9th Floor, Asian House, 1 Hennessy Road, Wanchai, Hong Kong.

Highlights
● Following the implementation of Section 168 of the Companies Ordinance, Wheelock Marden and Company Limited became a wholly-owned subsidiary of the Group on 12th September, 1985. Profits, for the first year, from the Wheelock group are anticipated to exceed expectations.

● In August this year, the Group successfully arranged a HK$1,000 million commercial paper facility for a period of 3 years at extremely attractive rates.

● With the continued strengthening of the property markets, the Group's prime retail, office and residential properties at Tsimshatsui have performed particularly well. Significant improvement has been made in leasing of the office space of the Wheelock group properties in Central.

● As a result of the commissioning of the Mass Transit Railway's Island Line in June 1985, Hongkong Tramways suffered a further 7 percent loss of passengers whilst Star Ferry patronage was reduced to about the same level as compared with the corresponding period last year. The Wheelock group now holds a 5 percent equity in The Cross-Harbour Tunnel Company, Limited after the placement in August of a portion of its original holding in that company and remains its General Managers.

● The Group's three hotels in Hong Kong continued to have achieved high occupancy levels with improved room rates. The results of Hotel Marco Polo, Singapore, however, remained depressed in view of the oversupply of hotel rooms in the local hotel market. Commencing 1st January, 1986, Marco Polo International Hotels Limited, the hotel management subsidiary of the Company, will assume management of The Hongkong Hotel, The Prince Hotel, The Marco Polo in Hong Kong and Hotel Marco Polo in Singapore.

● Throughout the period the Group's industrial/ warehouse properties achieved high occupancy levels and the Group's interests in Modern Terminals (Berth 5) Limited and in Hong Kong Air Cargo Terminals Limited continued to turn in satisfactory contributions.

● The Group's net borrowings after the HK$2,600 million acquisition of Wheelock are now reduced to HK$1,400 million. The Group's debt position is well within the Group's debt servicing capabilities with its recurrent cash flow and unencumbered assets. Continued efforts will be made by the Group to reduce such borrowings in the near future.

Summary of Consolidated Results	Six months ended 30th September 1985 HK$M	Six months ended 30th September 1984* HK$M
Operating Profit	460.8	258.2
Share of profits less losses of associates	35.2	21.1
Profit before taxation	496.0	279.3
Taxation	75.6	36.5
Profit after taxation	420.4	242.8
Minority interests	118.0	22.0
Profit before extraordinary items	302.4	220.8
Earnings per share	19.4 cents	14.2 cents

*Figures have been restated as a result of the Group adopting equity accounting for associates.

By order of the Board, World-Wide Secretaries Limited
Secretaries.

Hong Kong, 9th December, 1985.